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PUBLIC WORKS EMPLOYMENT ACT OF 1975

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KANSAS STATE UNIVERSITY

HEARINGS

BEFORE THE

COMMITTEE ON ECONOMIC DEVELOPMENT

OF THE

COMMITTEE ON PUBLIC WORKS

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

S. 1587

A BILL TO AMEND THE PUBLIC WORKS AND ECONOMIC
DEVELOPMENT ACT OF 1965 TO INCREASE THE ANTI-
RECESSIONARY EFFECTIVENESS OF THE PROGRAM AND
FOR OTHER PURPOSES

AND

S. 1704

A BILL TO AUTHORIZE A LOCAL PUBLIC WORKS CAPITAL
DEVELOPMENT AND INVESTMENT PROGRAM

MAY 20 AND 21, 1975

SERIAL NO. 94-H18

Printed for the use of the Committee on Public Works



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PUBLIC WORKS EMPLOYMENT ACT OF 1975

TUESDAY, MAY 20, 1975

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

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

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

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

Senator MONTOYA. The committee will be in order.

We begin 2 days of hearings on important legislation with primary emphasis on jobs. The members of this committee share with the Congress at large a deep sense of responsibility for the continuing high levels of unemployment and the recession.

We are most alarmed about the depression in the construction industry. Unemployment rates in that sector are truly staggering—24 percent on a seasonally unadjusted basis.

We know of the arguments and reservations about using public works programs for fighting this recession. But this bill will create new jobs and hold existing jobs. It will stimulate an economy functioning at little more than two-thirds capacity. And the leadtime will be shorter than traditional public works programs.

S. 1587, the Public Works Employment Act of 1975, is in recognition that we cannot sit idly by with unemployment at nearly 9-percent national levels and play it safe. We may be bottoming out of unemployment is not yet in sight—and that is the most important index of all.

Yes, public works takes a little longer to get in place than a tax rebate or a public service job or a revenue sharing check. But when you are done you have built or improved a community facility that will be of use for the future.

The leadtime is less important when you consider that even the administration projects unemployment levels of 7 percent or more for the next 2 years. I want to assure you that the leadtime in this bill will not exceed this high unemployment period. Nor will the bill put excessive demand on the construction supply sector.

The bill is also within the \$2.1 billion figure for recovery programs for community and regional development in the congressional budget ceiling.

The measure before us was drawn carefully so that new programs would not be set up. The authorization of \$1.875 billion is for fiscal year 1976 and builds on the experienced programs of the Economic Development Administration. Outlays for fiscal year 1976 are estimated at \$875 million.

In drawing up this legislation, we decided to increase funding in those programs that could put the greatest number of people to work on projects that could be started in the shortest possible time.

We also included funding for the business loan program for the purpose of maintaining jobs by providing working capital to businesses that are in grave danger of failing but have otherwise been stable and reliable in previous years.

The bill also provides for cost overruns for projects that had reached the construction bidding stage and then took the onslaught of the staggering increases in costs. The same fund would also activate some projects that have been approved by the Federal Government but have subsequently been set aside because of failure of local governments, caught in a devastating fiscal crunch, to provide their matching shares.

Finally, the committee has before it S. 1704, a Senate companion to H.R. 5247, the local public works capital development and investment program. That bill I understand is being considered on the House floor today.

As many of you know, it authorizes \$5 billion for fiscal year 1976. It too is designed to create jobs in the construction sector quickly and is intended to provide much needed stimulus to the economy.

[The bills S. 1587 and S. 1704 follow:]

94TH CONGRESS
1ST SESSION

S. 1587

IN THE SENATE OF THE UNITED STATES

APRIL 29 (legislative day, APRIL 21), 1975

Mr. MONTAYA (for himself, Mr. GRAVEL, and Mr. RANDOLPH) introduced the following bill; which was read twice and referred to the Committee on Public Works

A BILL

To amend the Public Works and Economic Development Act of 1965 to increase the antirecessionary effectiveness of the program and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Public Works Employ-
4 ment Act of 1975".

5 SEC. 2. (a) The Congress finds that unemployment is
6 at a level which severely damages our economic well-being
7 and that such unemployment in the construction industry
8 is 20 per centum of the normal work force.

9 (b) As a result of the inflation experienced over the last

1 two years, funds available for construction have been inadequate to meet Federal, State, and local facility needs.

3 (c) The Congress, further, finds that projects which can
4 be approved and initiated within sixty days for construction,
5 repair, or improvement of local public facilities and development
6 facilities would contribute to a reduction in the level of
7 unemployment.

8 SEC. 3. Title I of the Public Works and Economic Development
9 Act of 1965, as amended, is amended—

10 (a) by striking the second sentence of section 101

11 (c) and inserting in lieu thereof after the first sentence
12 the following: "The Secretary may reduce the non-
13 Federal share below such per centum or waive the non-
14 Federal share in the case of a grant for a project in a
15 redevelopment area designated under section 401 (a) (6)
16 of this Act if he determines that the eligible applicant
17 (including private, nonprofit groups) has exhausted its
18 effective taxing and/or borrowing capacity".

19 (b) by striking in the first sentence of section 105
20 "\$250,000,000 for the fiscal year ending June 30,
21 1976" and inserting in lieu thereof "\$500,000,000 for
22 the fiscal year ending June 30, 1976".

23 (c) by adding the following new section at the end
24 thereof:

1 "PUBLIC WORKS EMPLOYMENT ASSISTANCE

2 "SEC. 107. (a) The Secretary is authorized to make
3 grants to applicants eligible under section 101 (a) under this
4 Act for the construction, rehabilitation, alteration, expansion,
5 or improvement of local public facilities or for the develop-
6 ment of land and improvements for public works, public
7 services, or facilities usage, if he finds that the project for
8 which financial assistance is sought will—

9 "(1) fulfill an essential community need,

10 "(2) provide, to the extent possible, construction
11 and other employment, or

12 "(3) assist in the early development of programs
13 which may contribute to the long-term improvement of
14 the area.

15 "(b) Grants to eligible applicants shall be made only
16 in areas of high unemployment, actual or threatened abrupt
17 rise in unemployment due to the closing or curtailment of a
18 major source of employment or any area designated pursuant
19 to section 204 (c) of the Comprehensive Employment and
20 Training Act of 1973.

21 "(c) The Federal share of a grant made for a project
22 under this section shall be 80 per centum: *Provided, That,*
23 the Secretary may waive or reduce the non-Federal share
24 if he determines that an eligible applicant (including a pri-

1 amended by striking "and the Secretary of Labor jointly
2 determine" and inserting in lieu thereof "determines".

3 SEC. 8. Section 1004 of such Act, as amended, is
4 amended to read as follows:

5 "SEC. 1004. Within forty-five days after the date of
6 enactment of the Emergency Jobs and Unemployment As-
7 sistance Act of 1974 and within forty-five days after funds
8 are appropriated to the Secretary to carry out the purpose
9 of this title, each department, agency or instrumentality of
10 the Federal Government, and each regional commission
11 established by section 101 of the Appalachian Regional De-
12 velopment Act of 1965 or pursuant to section 502 of this
13 Act, shall (1) complete a review of its budget, plans, and
14 program including State, substate, and local development
15 plans filed with such department, agency or commission;
16 (2) evaluate the job creation effectiveness of programs
17 and projects for which funds are proposed to be obligated in
18 calendar year 1976 and additional programs and projects for
19 which funds could be obligated in such year with Federal
20 financial assistance under this title; and (3) submit to the
21 Secretary of Commerce recommendations for programs
22 and projects which have the potential to stimulate the crea-
23 tion of jobs for unemployed persons in eligible areas. Within
24 forty-five days of the receipt of such recommendations the
25 Secretary of Commerce shall review such recommendations,

1 and after consultation with such department, agency, instru-
2 mentality, and regional commissions, make allocations of
3 funds in accordance with section 1003 (e) of this title.”.

4 SEC. 9. Section 1005 of such Act, as amended, is
5 amended by striking such section and renumbering subse-
6 quent sections accordingly.

7 SEC. 10. (a) Section 1006 as redesignated of such Act,
8 as amended, is amended by inserting the following after
9 “1975” in the first sentence: “and \$750,000,000 for the
10 fiscal year 1976”.

11 (b) Section 1006 as redesignated is further amended by
12 striking “1975” in the second sentence and inserting in lieu
13 thereof “1976”.

14 SEC. 11. Section 1007 as redesignated of such Act, as
15 amended, is amended by striking “1975” and inserting in
16 lieu thereof “1976”.

17 SEC. 12. (a) The Secretary of Commerce shall provide
18 financial assistance to federally assisted projects authorized
19 and for which funds have been obligated at the time of enact-
20 ment of the Public Works Employment Act of 1975 which
21 because of rapid increases in wages or cost of materials cannot
22 be completed within the amount obligated for the project:
23 *Provided*, That nothing in this subsection shall authorize an
24 increase in the maximum percentage of the Federal contribu-
25 tion for any project for which funds have been obligated.

1 (b) To be eligible for such assistance, the State or politi-
2 cal subdivision, thereof, Indian tribes, public or private non-
3 profit group or association, or other eligible applicants to
4 which Federal financial assistance is provided must submit an
5 application to the Secretary setting forth the stage of project,
6 type of project, job effectiveness of the project, and the bene-
7 fits to the community or region served by the project. The
8 Secretary after reviewing the applications and with the con-
9 currence of the agency, department, or instrumentality of the
10 Federal Government funding the project shall provide funds
11 for those projects which best serve the objectives of this Act:
12 *Provided, That, not more than 15 per centum of the funds*
13 *appropriated under this section may be used for projects in*
14 *any one State.*

15 (c) In addition to the grants otherwise authorized by
16 this section, the Secretary is authorized to make a grant for
17 the purpose of increasing the Federal contribution to a public
18 works project for which Federal financial assistance is au-
19 thorized under provisions of law other than this section to
20 100 per centum of the cost of the project if such Federal
21 financial assistance under such law is immediately available
22 for such project and construction of such project has not yet
23 been initiated.

1 (d) There is hereby authorized to be appropriated
2 \$250,000,000 to carry out the purposes of this section, such
3 amount to be available for obligation until December 31,
4 1976.

94TH CONGRESS
1ST SESSION

S. 1704

IN THE SENATE OF THE UNITED STATES

MAY 12 (legislative day, APRIL 21), 1975

Mr. RANDOLPH (for himself, Mr. GRAVEL, Mr. HUMPHREY, and Mr. WILLIAMS) introduced the following bill; which was read twice and referred to the Committee on Public Works

A BILL

To authorize a local public works capital development and investment program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Local Public Works
4 Capital Development and Investment Act of 1975".

5 SEC. 2. As used in this Act, the term—

6 (1) "Secretary" means the Secretary of Commerce,
7 acting through the Economic Development Adminis-
8 tration.

9 (2) "State" includes the several States, the District

1 of Columbia, the Commonwealth of Puerto Rico, the
2 Virgin Islands, Guam, and American Samoa.

3 (3) "local government" means any city, county,
4 town, parish, or other political subdivision of a State,
5 and any Indian tribe.

6 SEC. 3 (a) The Secretary is authorized to make grants
7 to any State or local government for construction (including
8 demolition and other site preparation activities), renovation,
9 repair, or other improvement of local public works projects
10 (including but not limited to (1) those public works projects
11 of State and local governments for which Federal financial
12 assistance is authorized under provisions of law other than
13 this Act, and (2) the architectural design, engineering, and
14 related planning of local public works projects). No part of
15 any grant made under this section shall be used for the
16 acquisition of any interest in real property.

17 (b) The Federal share of any project for which a grant
18 is made under this Act shall be 100 per centum of the cost of
19 the project. Nothing in this Act shall be construed to author-
20 ize the payment of maintenance costs in connection with any
21 project constructed (in whole or in part) with Federal
22 financial assistance under this Act.

23 SEC. 4. The Secretary shall, not later than thirty days
24 after date of enactment of this Act, prescribe those rules,
25 regulations, and procedures (including application forms)

1 necessary to carry out this Act. Such rules, regulations, and
2 procedures shall assure that adequate consideration is given
3 to the relative needs of various sections of the country. The
4 Secretary shall consider among other factors (1) the severity
5 and duration of unemployment in proposed project areas,
6 (2) the income levels and extent of underemployment in
7 proposed project areas, and (3) the extent to which pro-
8 posed projects will contribute to the reduction of unemploy-
9 ment. The Secretary shall make a final determination with
10 respect to each application for a grant submitted to him under
11 this Act not later than the sixtieth day after the date he
12 receives such application. Failure to make such final deter-
13 mination within such period shall be deemed to be an ap-
14 proval by the Secretary of the grant requested.

15 SEC. 5. In addition to the grants otherwise authorized
16 by this Act, the Secretary is authorized to make a grant for
17 the purpose of increasing the Federal contribution to a public
18 works project for which Federal financial assistance is au-
19 thorized under provisions of law other than this Act. Any
20 grant made for a public works project under this section shall
21 be in such amount as may be necessary to make the Federal
22 share of the cost of such project 100 per centum. No grant
23 shall be made for a project under this section unless the Fed-
24 eral financial assistance for such project authorized under
25 provisions of law other than this Act is immediately available

1 for such project and construction of such project has not yet
2 been initiated. No part of any grant made under this section
3 shall be used for the acquisition of any interest in real
4 property.

5 SEC. 6. In addition to the grants otherwise authorized
6 by this Act, the Secretary is authorized to make a grant for
7 the purpose of providing all or any portion of the required
8 State or local share of the cost of any public works project
9 for which financial assistance is authorized under any provi-
10 sion of State or local law requiring such contribution. Any
11 grant made for a public works project under this section shall
12 be made in such amount as may be necessary to provide the
13 requested State or local share of the cost of such project.
14 A grant shall be made under this section for either the
15 State or local share of the cost of the project, but not
16 both shares. No grant shall be made for a project under this
17 section unless the share of the financial assistance for such
18 project (other than the share with respect to which a grant
19 is requested under this section) is immediately available for
20 such project and construction of such project has not yet been
21 initiated. No part of any grant made under this section shall
22 be used for the acquisition of any interest in real property.

23 SEC. 7. (a) No grant shall be made under section 4, 6,
24 or 7 of this Act for any project having as its principal pur-
25 pose the channelization, damming, diversion, or dredging of

1 any natural watercourse, or the construction or enlargement
2 of any canal (other than a canal or raceway designated for
3 maintenance as an historic site) and having as its permanent
4 effect the channelization, damming, diversion, or dredging of
5 such watercourse or the construction or enlargement of any
6 canal (other than a canal or raceway designated for main-
7 tenance as an historic site).

8 (b) No grant shall be made under this Act for any pub-
9 lic works project located or to be located in any area identi-
10 fied by the Secretary of Housing and Urban Development as
11 an area having special flood hazards unless the community
12 in which such area is situated is then participating in the
13 national flood insurance program under the National Flood
14 Insurance Act of 1968.

15 SEC. 8. (a) Not less than one-half of 1 per centum or
16 more than 10 per centum of all amounts appropriated to
17 carry out this Act shall be granted under this Act for local
18 public works projects within any one State, except that in
19 the case of Guam, Virgin Islands, and American Samoa,
20 not less than one-half of 1 per centum in the aggregate shall
21 be granted for such projects in all three of these jurisdictions.

22 (b) In making grants under this Act, the Secretary
23 shall give priority and preference to public works projects
24 of local governments.

25 (c) In making grants under this Act, if for the three

1 most recent consecutive months, the national unemployment
2 rate is equal to or exceeds $6\frac{1}{2}$ per centum, the Secretary shall
3 (1) expedite and give priority to applications submitted by
4 States or local governments having unemployment rates for
5 the three most recent consecutive months in excess of the
6 national unemployment rate and (2) shall give priority
7 thereafter to applications submitted by States or local gov-
8 ernments having unemployment rates for the three most
9 recent consecutive months in excess of $6\frac{1}{2}$ per centum, but
10 less than the national unemployment rate. Information re-
11 garding unemployment rates may be furnished either by
12 the Federal Government, or by States or local governments,
13 provided the Secretary determines that the unemployment
14 rates furnished by States or local governments are accurate,
15 and shall provide assistance to States or local governments
16 in the calculation of such rates to insure validity and
17 standardization.

18 SEC. 9. All laborers and mechanics employed by con-
19 tractors or subcontractors on projects assisted by the Sec-
20 retary under this Act shall be paid wages at rates not less
21 than those prevailing on similar construction in the locality
22 as determined by the Secretary of Labor in accordance with
23 the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-
24 5). The Secretary shall not extend any financial assistance
25 under this Act for such project without first obtaining ade-

1 quate assurance that these labor standards will be maintained
2 upon the construction work. The Secretary of Labor shall
3 have, with respect to the labor standards specified in this
4 provision, the authority and functions set forth in Reorgani-
5 zation Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat.
6 1267; 5 U.S.C. 133z-15), and section 2 of the Act of
7 June 13, 1964, as amended (40 U.S.C. 276c).

8 SEC. 10. No person shall on the ground of sex be ex-
9 cluded from participation in, be denied the benefits of, or
10 be subjected to discrimination under any project receiving
11 Federal grant assistance under this Act, including any sup-
12 plemental grant made under this Act. This provision will
13 be enforced through agency provisions and rules similar
14 to those already established, with respect to racial and other
15 discrimination under title VI of the Civil Rights Act of
16 1964. However, this remedy is not exclusive and will not
17 prejudice or cut off any other legal remedies available to a
18 discriminatee.

19 SEC. 11. There is authorized to be appropriated not to
20 exceed \$5,000,000,000 to carry out this Act.

Senator MONTROYA, Senator Randolph and Senator McClure have indicated that they will be a little late in arriving at the hearing this morning. Their opening statements will be made a part of the record at this point.

[The statements follow:]

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

Mr. Chairman, we meet this morning to consider how programs under the jurisdiction of the Public Works Committee can be utilized to combat our country's economic recession. With unemployment levels continuing at high rates we must utilize every weapon at our command to return people to useful jobs.

There is no more productive activity—in terms of both jobs and long-range benefits—than the construction of public facilities. The development of these facilities provides immediate jobs and it also results in permanent community improvements. The fact that the unemployment rate among construction workers is one of the highest of any group adds further urgency to the need for action.

We have before us today two measures embodying different approaches to the same problem. One of the bills, S. 1587, was introduced by Senator Montoya with my cosponsorship. It provides for expanded public works construction within the framework of the Economic Development Administration. This, I believe, is an attractive approach because it utilizes an existing administrative organization with an on-going program.

I introduced the second bill, S. 1704, to bring another approach before the Committee. This measure is very similar to legislation being considered by the House of Representatives where it has attracted considerable attention.

The witnesses who will appear here today will bring us their views on these legislative proposals. I hope, however, that they will also give us the benefit of their thinking on the overall problem. Before any problem can be attacked we must know its nature and its magnitude. Likewise, we should not consider new programs without fully examining those already in operation which perhaps could be focused on the need to reverse our country's recent economic trends.

Mr. Chairman, our purpose today is to review public works construction as an anti-recession activity. We are becoming well advanced into this years construction season, so the need to expedite our decisions is apparent. We must act with dispatch but we must not act in haste. With the information we will receive during these two days of hearings and through our discussions with the witnesses we can lay the foundation for legislation that will create jobs when they are needed.

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

Mr. Chairman, I am glad to join you this morning. Every member of the Committee is keenly aware of this country's economic situation and today's hearing—as well as other work of the Committee in past months—is testimony to our strong desire to find ways to get the economy moving forward on a sound basis so that constructive jobs can be created.

The Congress and the Public Works Committee have acted on several bills to stimulate the economy. Whatever further measures evolve from this Committee should be considered in the context of actions already taken to provide jobs.

Last Friday, the Senate passed, and sent to the President, the Emergency Jobs Appropriations Bill, appropriating \$5.3 billion for public service and public facilities jobs. The bill includes \$375 million for the Jobs Opportunities Program, bringing funding up to the full authorization. Additional funds were also included for EDA's public works program, the regional commissions and for other public facilities programs under the Committee's jurisdiction.

In April the Senate passed S. Res. 69 which had earlier been favorably reported by the Public Works Committee. The resolution released \$9.1 billion in highway funds for immediate obligation.

The Committee last week reported two measures intended to assist States in using the \$9.1 billion; to remove obstacles for quick obligation of available highway funds.

Earlier this year, the full \$9 billion for the waste treatment construction program carried out by the Environmental Protection Agency was released and made available for obligation.

Last week the Senate passed S. 1730, the railroad rehabilitation bill authorizing \$700 million dollars to create jobs to rehabilitate and repair rail facilities. Funds to implement the program are included in the fiscal year 1975 second supplemental.

Also, House-Senate Conferees have recently completed action on a several billion dollar emergency housing bill which is intended to create 800,000 new jobs in the coming months.

The full effect of all these measures is not yet known but it is important that we keep them in mind so that our efforts will complement with these programs and not duplicate or compete with them.

The Committee is particularly interested in having a progress report on the Jobs Opportunities Program—Title X. This program was specifically designed to create meaningful jobs and create them quickly in areas of high unemployment. Considerable progress has been made by EDA in implementing this program and the Committee will want to know if this approach can be an effective anti-recessionary jobs program.

Whatever action the Committee takes in this area must be reconciled with the concurrent budget resolution which has been adopted by both the House and Senate. This is the first year the Congress has operated under a self-imposed, Congressionally-fashioned budget and, while I am not in total agreement with all the choices reflected in the resolution, I strongly support the new budget process and will do all I can to see that it is successful. The Conference agreement on the budget provides \$2.1 billion "to be available either for an accelerated public works program or some other appropriate stimulative program that Congress may decide to enact, such as emergency financial assistance to State and local governments." Today's hearing will help us design a program for the most productive use of these funds.

Senator MONTOLA. We begin our hearing this morning by allowing an opportunity to testify to one of our distinguished colleagues who has another meeting to go to immediately, the distinguished Senator from California, Senator Tunney.

STATEMENT OF HON. JOHN V. TUNNEY, U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator TUNNEY. Thank you very much, Mr. Chairman. I want to thank you for the opportunity to appear before this committee. I also very deeply appreciate your sensitivity to the legislative schedule that you have in allowing me to appear first.

The legislation you are considering, in my view, can be a focal point in our national battle against unemployment which is robbing millions of Americans, not just of their jobs, but of their pride and human dignity as well.

I also want to commend you, Mr. Chairman, and the chairman of the full Public Works Committee, Senator Randolph, for your leadership on this issue, of which this hearing is yet another example.

I recall when I served on this committee, being with you on a couple of field trips that we took to get testimony from different parts of the country as to the importance of developing public works programs, manpower programs, to give people jobs.

I recall the very able leadership that you gave at the time and the bill that resulted from those extensive, perhaps the most extensive hearings that any congressional committee has held in the field for the purposes of developing manpower programs.

The principal bill before you, S. 1587, the Public Works Employment Act of 1975, is a good bill in many respects, and I certainly support the thrust of the legislation.

To those who say public works legislation is a poor anti-recession tool because the leadtime necessary to commence a project is too long, I remind them that there is a tremendous backlog of projects that are ready to go now.

Leadtime is only a problem when projects have not yet been planned. We are talking today about projects that have long since cleared the drafting boards and are being held up only by a lack of adequate funding.

Also to combat the delay factor, the bill includes provisions for speeding up the approval and funding procedures so that effort will be expended to produce jobs, not to overcome bureaucratic redtape.

To those who would say that this legislation is inflationary, I would answer that it is not inflationary to put people back to work in the midst of a recession and thus boost productivity. Furthermore, this bill contains a provision for terminating certain emergency funding when the employment situation eases, which is the time at which we will have to be most vigilant toward inflationary pressure.

I think it is clear the money to be spent here is labor intensive, not capital intensive.

But there is a problem with the bill. Frankly, I must say that I do not think that it will give California the help it deserves and so desperately needs. From enactment of the Public Works and Economic Development Act in 1965 through the end of 1974, California received only 6.9 percent of EDA's grants nationwide.

In fiscal years 1973 and 1974, that percentage dropped to slightly over 5 percent, and according to EDA, that figure is accurate up through the present.

Mr. Chairman, unemployment in California is presently at 10 percent, approximately 1 million persons. That means that 12 percent of those unemployed nationwide are Californians, and yet under a program designed to stimulate employment and economic development, we are receiving only 5 percent of the funds.

At that rate, S. 1587 would create 5,000 jobs in California out of 100,000 created nationwide. Even after taking the multiplier effect into consideration, that is not much in relation to the problem.

I do not apologize for coming down hard on the side of California's specific interests on this matter, not only because we are 10 percent of the Nation's population, but rather because Californians constitute 12 percent of the Nation's unemployed. We need more help than this bill will currently provide.

I recommend two changes to the committee. First, a formula should be included in the bill through which funds designed to stimulate employment will go to areas of high unemployment.

As now written, S. 1587 contains no such formula. In one of the bills being considered by the House, there is a formula, but it stipulates a 10-percent limit on the amount going to any one State.

I suggest the formula be pegged to a State's percentage of national unemployment; in California's case, 12 percent. Such a formula would insure that funds are sent where the unemployment problem is most critical.

Second, the \$1.875 billion authorized by S. 1587 will not be enough to meet the demand for EDA funding from California, even if a formula increases California's share of available funds up to 10 percent.

I know of 981 EDA project applications totaling \$242 million from California. Even if you assume that California will receive 10 percent rather than 5 percent, and even if you assume further that not all of the projects would or could qualify, California will still not receive enough to cover what has already been applied for, much less applications that may still be coming.

Let me share with you one example of a project that has tremendous job creating potential, but one that will not get off the ground without more money.

You are all familiar with Fishermen's Wharf in San Francisco and its commercial value to both the fishing and tourist industries. Within this prime area, there are 2 acres in disrepair that have tremendous potential for further development of the wharf.

The city estimates that up to 2,000 new jobs would be created directly with many more created by the resulting expansion of the fishing and tourist facilities. But it will cost \$4 million in Federal and local funds, and that money is not forthcoming.

The bay area has the potential for another 30,000 EDA-related jobs. The story in Los Angeles is similar. There are approximately 150 fundable projects that could generate 60,000 jobs. In the San Diego area, there are at least 30 projects that could mean 12,000 jobs.

Thus, I feel that an authorization level of \$2.5 billion is much more in line with the needs of both California and the rest of the Nation. It is not only fiscally justifiable, it is morally necessary.

As I said at the opening of my statement, I support the thrust of this legislation, and I look forward to working for its passage on the floor, but I believe that the committee must give serious consideration to both increased funding and an allocation formula so that projects that are ready to go can be funded and millions of Americans can go back to work, where they belong.

Thank you.

Senator MONTROYA. Thank you, Senator. I am inclined to agree with you in your evaluation of what this bill might do with respect to California. However, as you know, having been a member of this committee, a very valuable member and a very contributing member, you realize that every time we try to pass this kind of a bill, we are passing it in an atmosphere of threatening veto.

That is why S. 1587 is so constricted, because we tried to comply with the administration's wishes so that they would not veto such a bill.

Now, that is the reason for the modesty, if you can call it that, of authorization in my bill, in the bill that I am sponsoring. Of course, it is my feeling that today the House is going to pass the \$5 billion authorization, because the House is very much aware, as we are aware, that some kind of public works is essential in this country to start the country moving out of the unemployment that it is afflicted with.

However, we have to weigh all the circumstances, as you know, and try to get a bill through Congress which might be acceptable and veto-proof downtown.

I do appreciate the situation in California very much, and your concern that you are not getting enough money. We will certainly give consideration to your suggestions as you presented them this morning.

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

Senator MONTOLA. Do any of the members have any questions?

Senator McCLURE. Only one comment, and I think that each of us shares the desire to get these moneys out as rapidly as possible to alleviate unemployment in areas of high unemployment.

You recite current statistics of unemployment in California. There are various reasons for your State having higher unemployment than others. As we try to get economic stimulators on the ground in the areas where the unemployment is high, we also have to be careful that we do not send a lot of money to areas where the unemployment is not so high, or we will not have focused our attention on the very thing we are trying to deal with.

The reason I make that comment is simply that unemployment statistics are shifting statistics. They are not exactly the same all the time. I would suspect that some portions of your State that now is experiencing high unemployment rates, 18 months would not have high unemployment rates. Is that correct?

Senator TUNNEY. California has always had high unemployment. Mainly because of the aerospace industry, there has been a downturn of funding for NASA and advanced technology weapons systems which has a direct effect upon the aerospace industry.

The revolution that is taking place in agriculture; many farmworkers are now not working on the farm because of mechanization. Also there has been a significant problem in our State with the illegal entrants coming up from other parts of the world.

It is estimated by some that we would have as many as 150,000 to 200,000 illegal entrants a year coming into California. So they are replacing increasingly American citizens and legal aliens from jobs in services, low-paying jobs, that they have had in the past. So we have a particularly acute problem in California.

Senator McCLURE. You are looking then in terms of chronic underemployment and long-term programs, rather than short-term impact to meet a current problem?

Senator TUNNEY. Well, no. We have both. We have 10-percent unemployment, which is not chronic, not in a State that represents 10 percent of the country. That is very unique. Two years ago we had 6-percent unemployment. Maybe even 5.8-percent unemployment. It went just below the 6-percent level for awhile. But it is 10 percent, which represents some 200,000 people that have been laid off.

Senator McCLURE. What caused the increase from 6 to 10 percent?

Senator TUNNEY. I would say mainly construction. The aerospace bottomed out 2 or 3 years ago. It has not gotten much worse, although there has been a slide in the last few months as a result of the airlines not buying the wide-bodied jets.

The construction trades in California are suffering between 30- and 35-percent unemployment. In San Diego County, you have 50-percent unemployment.

Senator McCLURE. What is it in San Francisco?

Senator TUNNEY. It would be very high; I don't know for sure, but it would be at least State average, 30 to 35 percent.

Senator McCLURE. It gets to the point I would make in these hearings today, that the EDA basic programs are aimed at long-term chronic underemployment, trying to get an economic stimulus in those areas where there is long-term unemployment. We are con-

cerned most nationwide about the areas of not chronic unemployment, but the unemployment that is hitting us as a result of the current economic recession.

We are trying to find ways in which we channel money very quickly into those areas. Those are not necessarily the same areas where chronic unemployment exists.

Senator TUNNEY. We have both in California. We will take help from the left hand or right hand.

Senator McCLURE. California always had more of everything than anybody else. You don't brag about that. Neither would we on a statistic like that. But this EDA bill has aspects of both programs, and I was just wondering if you could either now or at a later date assist us in identifying the areas which are chronic unemployment areas which are currently extremely high unemployment areas unassociated with chronic underemployment, and give us some assistance and guidance in how we devise programs that distinguish between the two and focus our attention on the areas of most critical importance.

Senator TUNNEY. I would have to supply that for the record. I would agree, there are two separate problems: Chronic unemployment and the areas hit by the current problems. I would say the construction industry in most areas is suffering great unemployment as a direct result of current circumstances, the last several years of tight money and the fact that funds are not available and have not been available to build homes, and then the high interest rates, of course, have turned the consumers off.

They are just not buying homes as they once did, but I can supply that for the record.

Senator McCLURE. Thank you very much.

Senator DOMENICI. Thank you, Mr. Chairman. John, I want to compliment you for bringing to our attention the problems of California as relates to this bill. I share with Senator McClure the concern that we are trying very hard to cope with not necessarily chronic unemployment, but rather the irregular unemployment that comes to the construction industry as a result of the recession. I do hope that since there is extremely high unemployment in that industry in your State, and since it has been a very vital part of this economy, that you will continue to monitor the various bills and give us the benefit of your advice.

It appears to me that Senator Montoya's bill, because it has a mix of approaches, if you are looking at the short term, has a far better chance of getting more jobs per dollar than a \$5 billion authorized, \$2.5 million outlay accelerated public works program.

If one is looking at long-term improvement and long-term jobs and wants to go that route, perhaps it has merit beyond the present emergency problems. But I am convinced that whether we adopt this bill or not, it has some far superior aspects to a huge accelerate public works project bill that really might take a long time, regardless of what people say about quick starts and all these projects being ready to go.

I think it is going to take a long time for many of them to get started and a long time for many of them to get completed. I don't think it really hits the present high unemployment in the construction industry as well as the diversified program that is offered here, in particu-

lar that portion under title X which would really take ongoing programs that are ready to go, and add money to them and put people to work.

A carpenter may not get a carpenter's job but they would be good jobs and they would be rather quick. I am not so sure the bill in the House has done that. I think you just add up how many thousands of jobs it will produce over a number of years, and one might be very right it would do that. Whether it is going to serve the purpose of stimulating while we are down, or continuing to stimulate even when we begin to get out, is a very serious question the joint committee has considered, the Budget Committee has considered, and this committee will consider. I hope you will continue to give us the benefit of California's analysis on that aspect of this bill.

Senator TUNNEY. Thank you very much.

Senator MONTOYA. Thank you Senator.

Our next witness this morning will be Hon. John K. Tabor, Acting Secretary of Commerce, accompanied by our former distinguished colleague, Hon. Wilmer Mizell, Sr., Assistant Secretary for Economic Development.

I certainly want to welcome both of you gentlemen. I want to say, Mr. Secretary, that since Mr. Mizell has been on board, we have had better relations with this committee than we have experienced in the past. That is not to say our relations in the past have not been good with the Department, but I want to pass a word of commendation for the line of communication Mr. Mizell has established with this committee.

STATEMENT OF HON. JOHN K. TABOR, ACTING SECRETARY OF COMMERCE, ACCOMPANIED BY HON. WILMER MIZELL, SR., ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

Mr. TABOR. Mr. Chairman, I appreciate that very much. We too feel fortunate in the very open and positive relationship which the former Congressman has with both branches of Congress, and while we will not always agree any more than everybody in this Upper House does, we know that there will be good communication.

Senator MONTOYA. I always say when people ask me out in the husting, or they tell me, "I don't agree with you, Senator, on this and this," and I always ask them a question: "Now do you agree with your wife or does your wife agree with you 100 percent of the time?" And he says no. Then why should I?

Mr. TABOR. I might also say, Mr. Chairman, that as of 5:45 yesterday afternoon, Secretary Morton had returned to the United States from his trip both to Tokyo and Peking. So I appear before you as Under Secretary, not Acting Secretary.

Senator STAFFORD. I would want to observe relations have improved since Mr. Mizell became part of the Department. The fact he is larger and can run faster than any of us has nothing to do with it.

Mr. MIZELL. Mr. Chairman, I appreciate those kind remarks both from the Chair and from the Under Secretary. Of course, I see my role here today as one in the bullpen. Believe me, with the pitcher we have on the mound today, I have all the confidence in the world he is going the distance.

Mr. TABOR. That is very nice. I may call on him as a cleanup pinch-hitter. He will really slug it out.

I wish to express my appreciation to the members of the committee for the opportunity to present the views of the Department of Commerce on S. 1587.

First I wish to take the opportunity to report on EDA's progress with title X. Our initial survey identified over 18,000 proposals with an aggregate Federal cost of over \$3 billion. We asked those Federal agencies whose activities appeared to be in keeping with the intent of title X to submit projects within a ball park fund level in order to keep the submissions at a manageable size. We are now processing about 1,200 proposals from 26 agencies, with a cost of approximately \$180 million from which the best projects totaling \$125 million will be selected. We plan by June 1 to allocate the funds involved.

Notwithstanding our activities under title X, we feel it appropriate to emphasize that the Economic Development Administration was designed and organized fundamentally to meet the needs of those areas of our Nation suffering from chronic unemployment and underemployment. We see its best use in assisting the planned development of a sound infrastructure, in areas having growth potential. I suspect I am personally affected here by my experience serving as the State chairman of the Appalachian Regional Commission and working with that body for nearly 3 years.

Senator DOMENICI. Might we inquire as he testifies? I had one question on his \$125 million under title X.

Senator MONTROYA. All right.

Senator DOMENICI. You indicated the funding of title X, the \$125 million which was approved last year, will soon be implemented.

Without going into detail, could you tell us some figures with reference to direct and indirect jobs that that is going to produce, that \$125 million?

Mr. TABOR. I personally don't have a handle on the number of jobs we anticipate this will produce, but Mr. Mizell, the Assistant Secretary, has been working very closely with it.

Mr. MIZELL. Senator, it is difficult for us to say at this point because we have not really completed the analysis of the projects that we have in hand at this point. But we believe that it is going to be in keeping with what we understand the intent of the legislation to be. So I would say somewhere probably between 12,000 and 15,000 is a figure that we have been looking to. We would hope to come within that.

Mr. TABOR. I have two additional comments: The legislation calls for labor intensive projects and calls for emphasis on the hire of previously unemployed persons. Those are the specific targets that I think the Assistant Secretary was emphasizing will be in the forefront of our allocations.

Senator DOMENICI. Thank you, Mr. Chairman.

Mr. TABOR. Because of the leadtime involved in the very positive type of work undertaken under the Public Works and Economic Development Act, we do not favor using EDA as an agency providing counter-cyclical and short term, unplanned hurry-up assistance. While we can provide for that kind of assistance in statutes, we think the realities are such that it is extremely difficult to use public works on a short term, countercyclical basis.

It is in the light of these general observations that we make the following comments on S. 1587.

The bill proposes several substantive amendments to the Public Works and Economic Development Act of 1965. This act governs activities of the Economic Development Administration and the title V regional commissions.

Before commenting on the funding aspects of the bill, I would first like to state our position on some of its other provisions.

Section 3(a) of the bill would amend the Public Works and Economic Development Act by enlarging the authority to waive the requirement for an applicant's contribution toward the cost of a project. Presently the law permits such a waiver for an applicant which is a State or a political subdivision, if the project is in a public works impact area, and if the State or political subdivision has exhausted its effective taxing and borrowing capacity.

The amendment in this bill extends this waiver to all eligible applicants including private nonprofit groups. As we know, the sound and orderly development of urban and rural areas can be aided by public works projects. When Federal assistance for local public works projects is developed by local governments there is some assurance that there will be continued management, support, and operation of the project. This assurance may be lacking in the case of grants to nonprofit organizations.

A local government undertaking a federally assisted public works project is injecting more than funds. It expresses the community's interest in the project and local support for the particular economic development sought and it provides some assurance that the continuing responsibilities of operation and management can and will be met. A governmental unit's continuing responsibility is inherent in its very nature.

Current EDA legislation does permit private and public nonprofit organizations to apply for public works grants, but requires that there be a matching share, a figure which varies, depending on the area designation and other factors.

Nonprofit organizations have different problems in meeting continuing responsibilities. We believe that the requirement for an initial contribution to a project by a nonprofit grantee is and continues to be a reasonable requirement. For the foregoing reasons, it is the Department's opinion that expanding the waiver provision to nonprofit organizations would be inadvisable.

The proposed amendment in section 3(c) would add a section 107 to the Public Works and Economic Development Act. This section provides for a public works employment assistance grant program very similar to EDA's public works impact program. Both programs call for expeditious completion of projects, provide essentially broad definitions of eligible areas, and are directed to job creating projects. Consequently, there being no significant difference in principle or benefits between PWIP and the program proposed in section 107, we do not find a need for this section of the bill.

Moreover, the Department of Commerce does not endorse the concept of utilizing EDA as an anticyclical tool. Recent experience with PWIP in this regard has been disappointing. It benefited the unemployed less and created fewer jobs than anticipated. It did so at very high cost and affected unemployment rates little.

I would like to buttress that, Mr. Chairman, if I might, with just a few startling figures which come from an evaluation of PWIP projects approved during fiscal years 1972 and 1973. The results were, No. 1, that the programs' intended beneficiaries, namely, previously unemployed and underemployed residents, received only 22 percent of the jobs. Second, PWIP produced considerably less employment than anticipated. It was anticipated in the fiscal years 1972 and 1973 programs that the program would generate 62,000 man-months of employment. Only 39,000 man-months of employment were in fact generated.

Further, the cost of providing employment was much greater than originally estimated. Originally we thought that the cost would be \$2,152 to generate one man-month of employment, but the actual cost was \$3,400 per man-month of employment, or \$40,800 per man-year of employment. Also, the PWIP's effect on the area unemployment rate was small. Our analysis showed it averaged about $\frac{6}{100}$ of a percentage point. The duration of PWIP projects was startlingly short. Over 50 percent of the jobs lasted 2 weeks or less. Consequently, Mr. Chairman, based on this experience that we have had, and believing that section 107 is in so many respects similar to PWIP, we believe that the bill in this respect does not merit our support, and we say that very respectfully.

Before leaving this point, we do wish to point out that proposed section 107 also contains the disturbing elements of the waiver procedure that we commented on regarding section 3(a) of the bill. The objections to extending to nonprofit organizations the waiver of local matching funds are equally applicable to the section 107 portion of the bill.

Section 5 of the bill provides new authority to the business loan and guarantee provisions of section 202 of the act under which EDA operates. It permits the payment of up to 4 percentage points of the interest paid on working capital loans. We recognize that there are arguments both for and against this kind of grant assistance to private profitmaking entities. We currently have this subject under study. Until we have completed our study, we would recommend against enactment of authority for this kind of assistance.

Section 10 of the bill would provide an additional \$750 million authorization for title X in fiscal year 1976. We are currently implementing the \$125 million title X appropriation to provide jobs through qualified projects. We feel that it would be the better part of wisdom to give us a chance to utilize the funds we already have and have a chance to evaluate the results prior to authorizing or appropriating any additional funds.

Section 12(a) of the bill would in substance provide funds for any federally assisted public works projects which have been obligated prior to enactment of this bill where overruns result from increases in wage or material costs. Subsection (c) would authorize funds for any or all of the local matching share in any Federal public works project if other Federal agency funds are immediately available and construction has not started.

Assistance of the nature described in subsection (a) is, in some degree, already provided for in existing EDA authority to provide supplemental grants. Subsection (c), by permitting the Federal share

of a project to be as much as 100 percent, would undoubtedly create a substantial demand, far beyond the funding levels that we believe prudent in view of the budget deficits we now face. This provision also ignores the key feature of local investment, a feature we all recollect as vital, namely, that the local community has a stake in the result, and that they will make a contribution.

Now, turning to the funding, the bill adds substantial sums to EDA's authorization of funds: Title I is increased for fiscal year 1976 from \$250 million to \$500 million; proposed section 107 is to have \$400 million; title II is increased to \$200 million—from \$75 million; title IX is increased to \$200 million—from \$100 million; section X is to have \$750 million; and section 12(d) of the bill provides \$250 million; for a total increase in authorizations of \$1.875 billion to be available for obligation in fiscal year 1976.

The administration firmly believes that moderation in fiscal and monetary stimuli is essential. If we prod too hard and force inflation to increase or interest rates to escalate, or severely limit private borrowing, but there is no way to wipe out these effects and start afresh. If the Federal deficits and the economic stimulus afforded thereby which the administration has indicated its willingness to accept are to have their desired effect and are to be successfully financed, there must be moderation in considering new funds for existing and new programs.

This approach will leave space for the private sector to borrow and to borrow at a reasonable rate of interest. The recent reports of huge decreases in wholesale prices reinforces a moderate approach to Government's fiscal policies.

There appears to be some solid forces working toward a moderate recovery. A moderate recovery will avoid excessive inflation, which contains the seeds of more dislocation. Adding to expenditures can only raise the possibilities of renewed inflation. The administration has stated that it desires a 1-year moratorium on new Federal spending programs, other than for energy and essential national security needs. Sensing the financial signals, such as receding inflation and sharply reduced inventories, we should all encourage holding the line against further increases in Federal expenditures.

Primarily because of the added expenditures of the bill, the Department earnestly recommends against its enactment.

Thank you.

Senator MONTORA. Mr. Secretary, I have been hearing that song during every recession from the administration downtown that in the name of inflation we should do nothing for the unemployed in this country.

I don't think that is a very good philosophy and I disagree with you. I think that in substance is what you have said on the bottom of page 7, and on to page 8. We heard that pronouncement by the administration during the period when we were asking the administration not to jawbone an increase in interest rates because it was going to depress the economy.

Some of the spokesmen for the administration kept saying that a little unemployment directed toward curbing inflation would be a desirable thing. It didn't work that way. It was counterproductive. So we didn't end inflation; it got worse because of the high interest rates.

Now we are saying here that no new projects, in order to curb inflation, should be carried out. Well, what are we going to do about the unemployment? Which is more important? To curb inflation or to take care of people who are unemployed?

Mr. TABOR. Mr. Chairman, that is a deep and difficult question which I know you, your colleagues, and certainly we in the Department of Commerce have been grappling with on a daily basis for the past 10 difficult months. I should like to recall that there are a number of actions which have been taken, and I can certainly agree, Mr. Chairman, had there been no actions taken either in the way of tax cuts, in the way of deficit spending, in the way of unemployment compensation stretchouts, in the way of other public works programs and accelerations in the title X, I would certainly agree that, if we were at the threshold of the problem and there was a blank slate as far as the actions taken, I am not sure that I could come before this very responsible committee and say what I have said here today.

But the President and the administration, with the advice and support of Congress, has incurred a very substantial deficit in fiscal year 1975, has projected a \$60 billion deficit spending program in fiscal year 1976, and has approved a tax refund operative at this very moment—checks are being sent out. The tax refund will be operating during fiscal years 1975 and 1976 and will total \$23 billion of new spending.

The President and Congress have extended unemployment compensation from the traditional 26 to 39 to 52 weeks, and a number of additional moves are underway.

I spent considerable time yesterday conferring with Mr. Greenspan before coming before you, because I knew you would be concerned about these matters. I also spoke with Mr. Fiedler, Treasury's economist and Mr. Pate, our Commerce economist, and asked them what do we do about those 8.9 percent of the people who are out there unemployed? Their considered judgment, on which obviously men of good will and honesty can differ, is that the recession forces are basically spent at this time.

Personal incomes have ceased their decline. We were encouraged that the personal income decline was four-tenths of a percent instead of the 1.0, and more, that had preceded it in the months before. Employment last month improved by 200,000 for the first time in 7 months. We are seeing an end to the sharp increases in unemployment which ran from a year ago October when it was 4.6 percent to the present time when it is 8.9 percent. That is over. We are also encouraged by the fact that there is an upturn in housing starts, albeit slow—

Senator MONTORA. Let me say the upturn is not very significant. It is up to 990,000 from 970,000 over the previous month. Now, we need 2 million homes in this country on an annual basis in order to take care of the obsolescence that sets in and we will need approximately 2,750,000 new homes on an annualized basis in order to take care of the newlyweds and the increase in population.

So we are very far away from that goal. This is the worst in 15 or 20 years.

Mr. TABOR. I talked to the Home Builders Association economist last Thursday. He stated that he is absolutely confident that there

will be an improvement in the housing business and the housing industry this year, and he spoke with great confidence under cross-examination by a group of Department of Commerce economists.

Senator MONTROYA. I have no doubt it will improve.

Mr. TABOR. Money is now in the savings and loans. People have put it there contrasted with 7 months ago when they did not, and disintermediation was siphoning money off to finance Federal programs. What we have to do is generate confidence.

Senator MONTROYA. Do you agree with the administration that high interest rates constrict the money supply and that is good to curb inflation?

Mr. TABOR. I think at the time that we were at the peak of inflation, Mr. Chairman, 6 months ago——

Senator MONTROYA. We started that increase in the interest rates as national policy about 2 years ago.

Mr. TABOR. That is correct. And you will recall there was a very unusual coincidence of first a sharp rise in inflation and then a sharp fall off into a recession. This was unique in our national experience.

And you raise a most interesting point: I remember at the time of the summit, one of the economists said never have so many great minds been gathered focusing on the wrong issue. They were then focusing in inflation.

Senator MONTROYA. And disagreeing on all issues.

Mr. TABOR. No; there was near unanimity that the enemy was inflation. And it wasn't 2 months until we had that sharp falloff and the enemy became recession.

I am just suggesting, Mr. Chairman, we have set in motion some enormous forces to work against recession. I don't want us to repeat the mistake we made back in October, that is to fight the previous war. We thought we were right at the summit fighting inflation. All those economists thought they were right. Now, we have been fighting for 8 months recession. And our concern in the administration is that we should let the economic programs we have, work. If we pass bill after bill, and you are familiar with the other bills that are brought to the President's desk and are going through the House, at the very time when we have got the first beginning of an upturn, and if these all take effect 8 months, 12 months, 20 months, 24 months from now, just when the economy is going to really be in an upswing, we will regenerate inflationary forces which will take off, not from a 3-percent interest rate, but from a 7-percent interest rate.

When we took off from 3-percent interest rates, we went to 11 percent. That is $3\frac{1}{2}$ times. If we take off from 7, we could be at 21-percent inflation rate. That is what we are trying to avoid. We don't want an England; we don't want a Brazil. We would prefer to let the forces that have been set in motion operate moderately, coming out of the recession with about a 4-percent real growth rate at the end of this year and up to 5, possibly 6 percent next year.

That kind of growth we can sustain. But if we go from the low point today up to about 7 or 8 percent this year, and then up to 15 or 18 percent next year, we will have real problems. Further, as we all know with the graduated income tax, people when they get inflated wages slip into higher brackets, pay more taxes, and lose purchasing power. The result is they no longer buy, and the markets dry up. We go into a recession.

Senator MONTROYA. What do you expect the inflation rate to be for this year?

Mr. TABOR. The inflation rate?

Senator MONTROYA. You have been talking to people downtown in Treasury and from the Council of Economic Advisers.

Mr. TABOR. I certainly think that interest rates within a month are apt to be at about a 7-percent level.

Senator MONTROYA. Within a month. What will it be for the whole year? What is the projected figure?

Mr. TABOR. I think I would only be giving my own best projection, but I would think that the deflator this year will be probably 7 percent, something like that.

Senator MONTROYA. That is what Alan Greenspan told me in another committee, about 7 percent. That is what he told me.

Now, here is what disturbs me, that every time the wholesale price index goes down, every time that the inflationary spiral settles down, that immediately people downtown say: "It is working now. Let's don't disturb it with more new projects." That is what, in effect, the President said to the Congress this year, that he did not want any more new projects.

Mr. TABOR. New spending programs.

Senator MONTROYA. Yes, new spending programs. But the judgment we have to make here might be different than what you have to make downtown. We are trying to adjust our judgment to your expectations downtown.

Now, the judgment we are trying to make here and the most important consideration we have to infuse into our legislative deliberations is what do we do with the unemployed in this country? They are waiting for some action from the Congress and the administration: New jobs, a stimulation of the economy. How do we do that? Do we make them wait until this inflation is cured and the signs are on the horizon that the factories and the smoke stacks are in action and the warnings or the signals are out that they can come to the factory and get a job?

What positive theme do we have to apprise them about?

Mr. TABOR. First, the proposals in the general public works area, certainly their announcements, give some sense of hope. But we do have to recognize that there is a substantial leadtime that is required before these programs result in jobs for people back in the communities.

Senator MONTROYA. I know. That disturbs me too. There is a delay right now based on the experience you have had of 367 days. I believe that is the figure.

Mr. TABOR. Yes, it is. You are precise. Or 337. Something like that.

Senator MONTROYA. Three hundred and thirty-seven. And that disturbs me very much, too. Because some of these projects applications have been lingering there on file for quite some time. Either the regional office or the Washington office.

Now, how do we improve on that? Is that the fault of the law? Is that the fault of the concept enunciated in this legislation or the existing law and legislation, or is it partly due to faulty applications and partly due to delayed processing at the administrative level?

Mr. TABER. I will comment on that, and would like very much to have the Assistant Secretary comment. I will comment out of my State

experience in the Appalachian Regional Commission which Senator Randolph is very familiar with.

Delays are something inherent, it seems to me, Mr. Chairman, in a single national program with projects from 50 States, from 200 million people, reviewed in Washington.

In my State of Pennsylvania, we had the Pennsylvania Development Authority, funded by the legislature. I am pleased to say we could give preliminary approval in a month and have a project financed 40 percent by the local banks, 40 percent by the local Industrial Development Authority, and 10 percent by the community (and that was required in every case) in many cases, within 2 months from the time the applicant came in the door. The EDA program is a big, cumbersome, complicated program. And in this administration, there has been an effort to decentralize it, to try to facilitate it. We have also advocated a new kind of federalism providing money to the States and communities to let them make their own decisions. I think these actions go in the right direction, Mr. Chairman. I think that while you may save some days—

Senator MONTROYA. Are you talking about bloc grants?

Mr. TABOR. I am talking about bloc grants and the whole new federalism concept.

Senator MONTROYA. What can you tell me about revenue sharing? Do you think it has worked as far as public works projects are concerned in the communities where they do receive revenue-sharing funds? Or have most of those funds gone into local administrative overhead?

Mr. TABOR. I have not made an intensive study, but I would like to do some work on it and give you the benefit of my thoughts.

Senator MONTROYA. You better check the surveys Treasury made, most of these funds went into salary funds for firemen, policemen, and what have you, and for additional personnel.

Mr. TABOR. And also into street repairs and things of that sort. A good bit of it has gone into salaries, I understand.

Mr. Mizell, do you want to comment on the delay question?

Mr. MIZELL. Thank you, Mr. Secretary.

Mr. Chairman, I am sure the chairman is well aware of this, that when we talk about 337 days what we are talking about, are 212 of those days spent in developing the proposed contract documents after project approval. After it comes into the regional office, and the time it is in the regional office until the time it is bid and the project gets under construction you don't have that tremendous delay.

Senator MONTROYA. I am concerned about the first part, 212 days. Where does that delay occur?

Mr. MIZELL. It occurs—

Senator MONTROYA. It occurs in the Department, doesn't it?

Mr. MIZELL. No, sir, this 212 days is from the date of approval until you get a refined project with all of the engineering specs and items completed. And then it is a refined project. When it comes into the regional office it is developed and brought on through and it moves rather quickly from that point.

Senator MONTROYA. Those first 212 days are for proving the contract documents and special conditions, the specifics, the work drawings of a particular project?

Mr. MIZELL. And sometimes environmental impact items.

Senator MONTOYA. That is an in-house delay, whether it is justified or not?

Mr. TABOR. It is the result of the requirements imposed by the Administrator to be sure the tax money is properly spent. There has to be appropriate engineering drawings, there have to be assurances that the other financing is all right.

Senator MONTOYA. I have no quarrel with your requirements. Those are basic requirements. I probably have no quarrel with the 212 days, if it is justified under certain conditions. But can we cut this time? Can we cut down on the redtape?

Mr. TABOR. Mr. Chairman, I have my doubts that when we are attempting to service from Washington, D.C., 30 States and 210 million people, we are going to be able to cut this by as much as one-third or one-half.

Senator MONTOYA. Mr. Chairman, do you have any questions?

Senator RANDOLPH. Mr. Chairman—

Senator MONTOYA. I have a few more, but I will defer to you.

Senator RANDOLPH. It is very kind of you to do that, only because of some scheduling problems I have this morning. I will follow your questioning and develop it just a little more, Mr. Chairman, with Secretary Tabor and with the Assistant Secretary, Mr. Mizell.

Mr. Mizell, I have noted that you indicated in your letter to the committee of May 6 that you are concerned about the delay in project approval for economic development projects. So it is a matter of attempting to cut the time, if possible, which has been addressed by the chairman.

If there can be a cutting of time, it seems it must come in the 212-day application development segment. The other segments seem to me to be in order.

Mr. MIZELL. As we continue to refine those, there is some possibility that even some time can be shaved off there.

Senator RANDOLPH. You hopefully would say 20 to 30 days might be cut from the total? You think it is possible? 10, 15, or 20 days?

Mr. MIZELL. I would hesitate to put a figure on it, because it would only be just a guess at this point.

Senator RANDOLPH. The fact is you are attempting to shorten that period?

Mr. MIZELL. Yes, sir.

Senator RANDOLPH. Mr. Chairman, on March 21, acting for the Public Works Committee, I wrote a letter to the General Accounting Office in which the request was made for the status of construction funds available under existing Federal statutes.

Now, we have a copy of that letter and also the replies from the agencies involved. I would ask unanimous consent that the letter to GAO requesting the information and the responses from the agencies be made a part of the record.

I do not like to encumber a record, but I think in this instance what the agencies are saying is very important, as you, Mr. Chairman, and the members of the Subcommittee on Economic Development work to develop legislation in the area of economic assistance.

Senator MONTOYA. There is no objection, and the letter will be made a part of the record.

[The letter and responses appear at p. 52.]

Senator McCURE. Mr. Chairman, did that include the letter of May 6 also?

Senator RANDOLPH. That did include the letter. That is the one I referred to, Senator McClure, in which Mr. Mizell was indicating that he is concerned with the long interval, to use his language, between approval and start of construction. I think all of this material is very important as the record is developed. (See p. 81.)

Thank you very much.

Senator MONTOYA. You are, of course, aware, Mr. Tabor, of the bill passed by the House yesterday.

Mr. TABOR. I am aware of it, yes.

Senator MONTOYA. The Appalachian bill?

Mr. TABOR. Yes; the \$1.5 billion 4-year authorization for Appalachia.

Senator MONTOYA. And the passage of the emergency jobs bill on Friday?

Mr. TABOR. That was the conference report which has gone up to the President, that you speak of, the \$5.3 billion. I am aware of that.

Senator MONTOYA. Yes. That bill provides \$375 million for the job opportunities program.

Mr. TABOR. Yes, that is title X, supplementary to the \$125 million on which we are hard at work.

Senator MONTOYA. So we will have a funding for this fiscal year in that program of \$500 million.

Mr. TABOR. Well, Congress has approved that.

Senator MONTOYA. If the President signed it.

Mr. TABOR. That is correct.

Senator MONTOYA. Do you have any indication if he will?

Mr. TABOR. I don't have any indication, Mr. Chairman. Generally speaking, we are concerned in the administration about the \$5.3 billion program in light of the already massive deficit and our concerns that I earlier expressed.

Senator MONTOYA. Now, what about the waiver provisions that you spoke to? Why are you so alarmed about it when the discretion still lies with you and you are just being extended a little more discretion?

Mr. TABOR. This is the waiver as far as nonprofit groups?

Senator MONTOYA. Right.

Mr. TABOR. Well, I think that—

Senator MONTOYA. As long as you have that discretion, why are you so disturbed about it? There are situations where a waiver is in order.

Mr. TABOR. Generally speaking, it is more desirable to have clear, strong instructions from the Congress than to have to make quality judgments in each particular circumstance, giving due respect to all of the interests that are involved in the situation.

But the basic reason is that the community expresses itself very well when these nonprofit corporations come forward, not as temporarily created creatures to get a result, but as substantial, funded, well-managed entities who can participate in the economic development of the community. Such corporations, drawing together the workers as well as the business and industry of the community, bring the whole community together and make a very positive contribution.

Senator MONTOYA. I am very favorable to that concept. In fact, we developed it in this committee.

Mr. TABOR. I know you did. We think it is good.

Senator MONTROYA. We have had instances where nonprofit organizations, which are aligned with the community effort, and for all intents and purposes are a part of the community effort, have been unable to provide the matching money. This provision in the bill is merely designed to give you authority to use your discretion in hardship cases.

Mr. TABOR. What often happens in our experience, and all I can speak from is experience, is we begin to depreciate the currency. If we grant a waiver to A, B, C, D, and E, it is harder to say "No" when an applicant cites prior cases that are almost the same. I am afraid that we will erode the strong element of community participation more than we will strengthen it. It is a judgment.

Senator RANDOLPH. I think the members of the committee, the chairman and others, recognize, Mr. Secretary, that we are not in the business of eroding, but we were in an effort to not just do business as usual. You have been discussing the title X program and Assistant Secretary Mizell, in his letter, calls attention to problems.

I would like to ask a specific question: How long do you believe it will take to place the \$125 million that is now available to the contract?

Mr. TABOR. Well, Secretary Morton will make allocations not later than June 1.

Mr. MIZELL. Within 125 days, we would anticipate the work to begin on the projects.

Senator RANDOLPH. 125 days. Mr. Chairman, the reason I reemphasize what you and others are saying is that we are in a serious time. We are in a time of serious unemployment and continuing recession along a broad front.

So when we have within the Government those agencies and programs that can place people in gainful employment, in lasting projects to community betterment, I think we must use those programs. We have to use the opportunity that we have to see the programs move forward as quickly as possible.

Of course, they should not move if they are not meritorious. But we have to take a quicker look than we have been doing if we are to really help the Nation and its people come out of the problems which beset us.

Thank you, Mr. Chairman.

Mr. MIZELL. If I might, I would like to just preface my other response on the 125 days, Mr. Chairman. That is the maximum. We anticipate a number of these projects moving prior to that time. That is the maximum time we have after the Federal agency receives the allocation from the Secretary to have the project in place and moving. We would however, anticipate moving quicker than that.

Senator MONTROYA. Now, we passed this bill in December. The appropriation went through in December. You did have quite a few projects in the pipeline. Now it will be June before we start committing the money to these projects.

Mr. TABOR. There was one particular delay in this situation, I believe. Mr. Mizell can give the details. But if you will recall, the President in his signing message initially requested that the title X funds be transferred over to CETA and the Department of Labor. GAO, I think, analyzed this situation, treating it as a proposed rescission. Then we had to await the passage of time that is built into the rescission law.

Senator MONTROYA. I recollect that; but the President should have realized that in view of the overwhelming vote for this appropriation, that any deferral message he would send to Congress was a delaying message. It was actually a deferral message.

Mr. TABOR. Yes; treated as a recision.

Senator MONTROYA. Literally, and damaging. I am making a point out of the delay between December and June of these projects, when they were already in the pipeline for approval.

Mr. TABOR. Since the clarification, there has been action with, I think, the kind of dispatch that you and certainly Senator Randolph, and we, believe is necessary to deal with a human problem out there. I don't want to underestimate our perception of that. The question is: How do we cope with it, and is more at this point better?

With all deference and all respect, because I know the concern you have, our judgment is at this point on top of all the other bills, more is not better. At this point, we ought to allow some of the other forces to operate and keep the \$125 million cranking forward and all the other EDA projects currently on the books.

Senator MONTROYA. When you speak of other forces working, in my estimation, you are speaking of phantoms we can't see.

Mr. TABOR. They are much more difficult to see than the firehouse and the street paving and the earthmoving. We understand that.

Senator MONTROYA. How would you like to have a rally of the unemployed here in Washington, say 100,000 people, and have the President tell them, who are hungry and families are hungry, tell them, "We must wait for the forces already in being to work out of this particular problem." Would that be a creditable response?

Mr. TABOR. Mr. Chairman, I think fortunately the President and the Congress have set into motion the mailing of tax refund checks beginning May 9—

Senator MONTROYA. \$100 a family is not adequate.

Mr. TABOR. It is a beginning. Further, every paycheck at this moment has less withholding than formerly. This is money that can go into the accounts of families across the country. Then there will be larger tax cuts in fiscal year 1976. And, of course, what—

Senator MONTROYA. Are you saying that is going to right the present situation? We should not do anymore?

Mr. TABOR. Well, Mr. Chairman, I think we have to be doing a number of different things.

Senator MONTROYA. I want the positive things now.

Mr. TABOR. One of the very positive things we are doing in the Department of Commerce is stimulating and generating more sales in foreign markets because the domestic markets are fairly stagnant.

Senator MONTROYA. We have been doing for a long time.

Mr. TABOR. We are doing it better. We are up to trade accounting for 7.5 percent of GNP, when it used to be below 5 percent. In other words, exports are now generating additional sales and plants are getting additional orders, keeping the production lines intact. We have extended the unemployment compensation as I earlier mentioned. This was done by the President working with Congress.

Senator MONTROYA. What is going to happen after the 56 weeks have expired? For some, those 56 weeks have already expired and for others, they are nearing the expiration date.

Mr. TABOR. Generally speaking, average unemployment compensation is now running about, I believe, 12 to 13 weeks. That doesn't mean that there are not people who have exhausted their benefits. Where persons have been extended as far as possible, some further action may have to be taken.

Senator MONTROYA. Now, when you speak of unemployment benefits, that doesn't give people jobs, does it? That just ties them over a longer period. Right?

Mr. TABOR. That is correct.

Senator MONTROYA. That is not a positive thinking for the unemployed, is it?

Mr. TABOR. It is not as good as a job.

Senator MONTROYA. What is the administration doing or recommending by way of giving people jobs, positively?

Mr. TABOR. What is the administration doing?

Senator MONTROYA. Yes.

Mr. TABOR. As I indicated, we have provided a very substantial tax refund of \$22 billion.

Senator MONTROYA. How is a \$100 refund to a family going to give that family a job?

Mr. TABOR. It doesn't produce a job directly, it produces the ability to spend. It may produce some consumer confidence, which is part of the willingness to buy and enter into long-term commitments on refrigerators, automobiles, a house. We are beginning to see more of this.

Senator MONTROYA. There is no question that putting \$20 billion out in the economy is good. It will generate three times as much in the economy. That is fine. But I am speaking of positive things that will give a person a job, a person unemployed, until the economy rights itself? Now, the economists from downtown, the administration economists have appeared before another committee which I chair, a subcommittee, in the Appropriations Committee, and they have told me this unemployment is going to continue between the figure of 7 and 9 percent, and perhaps go higher, for the next 2 years.

Now, that is a very grave situation. We are not doing anything positive to get those people jobs.

Mr. TABOR. Well, first of all—

Senator MONTROYA. Do you agree with that?

Mr. TABOR. I don't agree unemployment is going to stay at 9 percent for 2 years.

Senator MONTROYA. I said between seven and nine.

Mr. TABOR. I certainly think it is going to be late 1976 before we are down to the 5-percent area. That is my personal view.

Senator MONTROYA. You have been talking about deficits and we should consider the deficit situation and not enact any new programs. Well, that is very fine to say. Let me ask you this question: If the deficit were not a question, do you think this would be a good anti-recession bill?

Mr. TABOR. If there were not all the other measures and if the deficit were not a question, the bill is obviously an effort to generate some work.

Senator MONTROYA. I am asking the question: If the deficit were not a question, do you think that this would be a good antirecession bill?

Mr. TABOR. I think the overriding fact is that the deficit is a very real problem, Mr. Chairman. It is difficult to speculate away from

that reality. I also am concerned about the very disappointing results in the general public works impact program as we analyzed it in 1972 and 1973. As I earlier mentioned, the unemployed and underemployed, who are the particular focus of our concern, only received 22 percent of the jobs under that program, and those men and women who were already at work received 78 percent of the jobs.

Senator MONTROYA. Isn't that true of the public service jobs too, there have been some lateral applications from other jobs into public service employment? I have conducted surveys out in the field and found that to be true.

Mr. TABOR. That is administered more by the Department of Labor and I am not familiar with the details of that.

Senator MONTROYA. I am familiar with that, too. The head of a family who has five or six children and is unemployed, he doesn't usually get a crack at that public service job. It is the white collar worker that is working for some business downtown, and he finds an opportunity to get a little better paying job in public service employment, so he comes there.

So the man downtown doesn't fill his position.

Mr. TABOR. Mr. Chairman, with regard to the whole question of where jobs come from, we in this country fundamentally rely on the private sector to generate jobs. This is why a moderate improvement of the whole economy is fundamentally the answer to the question of how these people will become reemployed.

I was encouraged this morning to see that the Ford Motor Co. anticipates an 8.1 million car year this year. We are encouraged by the fact that the layoffs in the auto industry have fundamentally stopped, and rehiring is going on.

In my own city of Pittsburgh, steel is still moving strongly. International Harvester in the Midwest has an 18-month backlog on tractors. They are working full tilt. These are the kinds of things that fundamentally provide the jobs, and we want to preserve an economy that is not constantly in boom or bust.

Senator MONTROYA. You are in effect saying, Mr. Secretary, and I appreciate your viewpoint, you are in effect saying "Let's don't provide any immediate jobs for the unemployed. Let's wait for the economy to get better and they will get jobs."

Mr. TABOR. Let's do those things very vigorously which will stimulate the private sector of the economy to hire back those presently unemployed—in construction, plants, and facilities.

Senator MONTROYA. We are willing to do that. We passed the Incentive Act and the tax bill.

Mr. TABOR. This is where we come to the crunch, Mr. Chairman. If the private sector is to buy the new equipment that provides jobs, to build the new plants that provide construction jobs, there has to be capital available out there to make these investments.

If we sop up through continued deficit spending those available dollars, they either cost more and drive off the private sector from borrowing them because they are too expensive to borrow in competition with the U.S. Government, or the Federal Reserve prints paper money and we run into an inflationary situation similar to the one which in very substantial part contributed to the current recession.

Senator MONTROYA. Well, let me say this, that I was in the House when we experienced the Eisenhower recession of 1958. That was the

third one we had during his term, 1958. In fact, during the Eisenhower administration we had three recessions, if you will recall. The last recession was carried on until 1960.

Then President Kennedy came in. Now I remember very vividly that we had an FHA financing program for construction. The interest rate was 5.5 percent. President Eisenhower had recommended a 6-percent interest rate, to up it to 6 percent, the ceiling.

Now, that depressed housing and the construction industry, the fact that that was increased. And President Kennedy, one of the first acts that he indulged in, was to open up the food warehouses in this country, the surplus food that was owned by the Department of Agriculture.

No. 2, he sent a message to the Congress to extend unemployment compensation to the unemployed.

No. 3, he recommended accelerated public works. You will remember that program.

Mr. TABOR. I do.

Senator MONTTOYA. So the Congress went along with it. We reversed that situation. We reversed the recession and started an upward spiral in the economy. We had the longest span of prosperity as a result of those initial efforts.

Now we can argue whether what Kennedy did was responsible for this, but I say it was very visible, and it was very noticeable that he was doing something affirmative.

You will recall he initiated the approach with respect to unemployment that many in the economy and many in the business community differed with. The fact is he spurred the housing industry. Now we have a high interest rate in this country prevailing.

Now, the low income and even the middle income cannot afford to buy a home at today's prices. That is why the housing industry is so depressed.

Mr. TABOR. This is due to a combination of reasons, Mr. Chairman, not only the former high interest rates. Incidentally, I am pleased to say prime rates have moderated to 7.25 percent as of yesterday.

Senator MONTTOYA. That is not reflected in the financing of homes. We are still in the 8.5 to 10 percent.

Mr. TABOR. Yes; but I think it will be reflected, and I think we will see those interest rates continue to moderate. The savings are there.

We also have an inflation impact slowing down housing. The average detached house today costs \$37,000. That, as much as interest rates, is the reason we do not have a lively housing market today; \$37,000 is a lot of money for anybody to put together to buy a house. Further, I think we have got to overcome the inflationary prices in toilets and sinks and stoves and carpets and lumber and all the rest. We hope to see some moderation in those housing prices, in the same way that we expect moderation in the interest rates. With these two things falling together, the experts in the field tell us we are likely to generate about a 1.2 million housing year this year.

Senator MONTTOYA. And that is not adequate, is it?

Mr. TABOR. It was 1.7 when I came down here, Mr. Chairman, and I liked that much better. It was a lot easier to go out and make speeches at that point.

Senator MONTTOYA. It went up to 2.5. On an annualized basis.

Mr. TABOR. Yes. I think we will hit 1.6 on an annualized basis at the end of the year, but the year as a whole will be about 1.2 to 1.3.

Senator MONTOYA. It hit an annualized basis 2.5 at one time. Not for the year.

Mr. TABOR. I understand. Annualizing a single month, of about 200,000 units.

Senator MONTOYA. Now, do you not agree that quick-start public works answers the old saying about public works taking too long?

Mr. TABOR. Well, the question is whether we can genuinely find a large number of quick starts. We have found some in the title X program that is of such direct interest to this committee. We have found some projects where the plans were drawn, where everything was at a go position, except the necessary Federal infusion of money.

I am sure Mr. Mizell can illustrate this for you. There are not, however, an unlimited number of these quick-start projects. What we are trying to do is to get the very best for the \$125 million that we are responsible for spending. I think it will be of great interest to this committee, as well as ourselves, once allocations are made in June, to see how quickly this \$125 million will flow.

Senator MONTOYA. Are you preparing yourself presently for the possibility that you might have additional money available?

Mr. TABOR. We feel at the moment that we have got our hands full. Frankly, Mr. Mizell's staff is working far more than an 8-hour day just to administer \$125 million.

Senator MONTOYA. Do you have to work very hard to get rid of it in Washington?

Mr. TABOR. To do it responsibly, it takes long hours and hard work. They are doing it.

Senator MONTOYA. Here is another concern I have, and then I will terminate my questions. I am very concerned that the Department may not distribute this \$125 million equitably across the country. Mr. Mizell, what kind of policies have you devised to insure that many of the localities who are in dire need of this money might not be bypassed?

Mr. MIZELL. Mr. Chairman, as you know, we have about 30 different Federal agencies that are participating in this \$125 million program. Some of these agencies operate in broad geographical areas and some in a more narrow area. This, within itself, is an assurance that we will have projects that will be considered from all areas of the country.

The other thing is that the program is directed toward the high unemployment areas within the States and the cities. Along with this, we believe that we are going to be able to make sure that we don't wind up with, say, three projects—and I say this because it is a possibility that we may have one from HUD, and one from EDA, and maybe one from title V, that are directed to one community.

We will be able to pick this up and make sure that this doesn't happen and that the projects going into these areas will be projects that will lend themselves to meeting the unemployment needs in that community.

So we believe we will get the broad distribution that we need.

Senator MONTOYA. I hope so. If you are going to definitely decide on the applications on or before June 1, would you submit a list to this committee?

Mr. MIZELL. Just as soon as the Secretary is in a position to make the decision, certainly this will be available.

Senator MONTROYA. Thank you.

Mr. TABOR. We will be glad to.

Senator MONTROYA. Thank you.

Senator McCURE?

Senator McCURE. I am intrigued by the letter which you sent in, dated May 6, that outlines the time that is required. You indicated that you hope that the title X projects can be actually underway not more than 120 days following the allocation of funds on June 1.

When I look at that letter of May 6, I would assume the time up until June 1 would fall within the 212 days that you have put in the first time block, and 120 days for the actual commencement of construction would fall in the remainder of the 337 days?

Mr. MIZELL. Actually, those figures are not addressed to title 10 projects per se, but are rather the average of our regular—

Senator McCURE. I am trying to draw out a comparison between the two.

Mr. MIZELL. The 120 days will commence at the day the Secretary allocates the fund to the agency for the project.

Senator McCURE. You will still have to have the receipt of the proposed contract document, or some Federal agency will. That is 18 days. You will still have to have approval of the proposed contract document at the construction bid opening.

You allocate that to 39 days in this table. That will still run. Some Federal agency will be doing that. I suspect, on most of these projects. Bid opening at contract award, 36 days under your table. That will still run, won't it?

Mr. MIZELL. I don't think these figures would apply to the title X program. They will be unique in a number of respects. Some of them are ready to go right now. All of the architectural work and the engineering work have been done on a number of the projects—

Senator McCURE. Are the contract documents all approved?

Mr. MIZELL. I would not say the contract documents are all approved; no. They are not that far along, but the size of these projects is going to be different in many respects from a normal project.

Senator McCURE. A certain procedural requirement in regard to checkoffs and approval of the contract document, you have got to have all of the agency checks on all of the documents.

Mr. MIZELL. There were a couple of things we asked for that would apply. We said: First, if there is substantial environmental problems, don't fool with that project.

The second thing is we gave them the specified time we expected them to be able to move on this project when we asked for them to send it to us. They would have at least a good idea that they are going to be able to move within that time frame on the project.

Senator McCURE. How long does it take to get a contract document in, even under title X, from a field agency to the parent agency in Washington? Whether it is under title X or under a regular program?

Mr. MIZELL. We don't have the figures on this. But also keep in mind those will be coming back to those agencies that will be handling that project.

EDA, of course, will be handling your EDA's.

Senator McCURE. I assume we can cut down some of the time in that second period, the 39 days for approval of the proposed contract

documents. We might shave that a little. But I suspect that there are going to be several Federal agencies that want to look at that in regard to contract compliance, in regard to the Equal Employment Opportunity, and the various other checks that the contract documents go through. So you might shave that 39 days some, but it looks to me like the first 18 days, the bid opening to the contract award, there is nothing in the world you can do to shorten that.

Mr. MIZELL. I think you are right.

Senator McCLURE. Contract award to start of construction. I don't think you can start in 32 days. Maybe you could cut it in half. If you could cut those two figures down, we are down to 30 days less than the 125, we are down to 95 days.

This is not the major thrust of my question at all.

The major thrust of my question is in regard to the 212 days that lies at the start. I understand you to say the 125 days is your maximum target, you are talking about all but the 212 days, and the 212 days has been consumed up to June 1, or that period of time is what we have covered under the title X prior to June 10.

Mr. MIZELL. If I said the 212 days came at the beginning, I am in error. I stand to be corrected. That 212 days is—I am sure—is the 212 days after the approval, and that delay is back in the community in refining and developing that project. If I stated it the other way before, I was in error. You know Mr. George Karras. George can clarify this for the committee. I think it is an important point.

Mr. KARRAS. The 212 days referred to in this letter is the period after the agency makes a grant offer. You will note in the paragraph prior to that, we are saying the agency is making approval judgments on projects between 60 and 90 days. That is the original application as it comes in, and the agency responds within 90 days, on the average.

Senator McCLURE. So the 337 days you are talking about is actually 397 to 427 days?

Mr. KARRAS. I would like to respond to what happens after a project is approved. Bearing in mind these projects refer to our long-term program essentially—

Senator McCLURE. I understand that—

Mr. KARRAS. We are responding to long-term problems in the community. When a community asks for a grant from EDA, it is making a request essentially on a conceptual plan, supported by preliminary engineering.

This is engineering, Senator, that usually costs between 1.5 to 2 percent of the ultimate cost of the project. Now, we in EDA maintain that if we are going to resolve long-term problems, we ought not pin that community down at the time they are applying for a \$1 million grant, say to the 7 and 8 percent which is typically the fee associated with final plans and specifications.

So the 212 days refers to that work that an architect and engineer has to do after the agency approves the project. It takes him 9 months. We try to pull that down to 6 months, if we can. Nine months would translate preliminary engineering into final plans and specifications.

Now, it is important that this be clarified and understood. One of the worst things we can do in EDA is to require a community to expend that 7 or 8 percent on a \$1 million project, say \$80,000, without the assurance that the agency is going to approve the project. Since

we operate on preliminary design, their initial investment in the preparation of the application form is minimal.

And because of that, they are able to get a commitment from the agency and then proceed to that hard work that goes with translating the preliminary design to final design. And then into the bid process.

Senator McCURE. I understand that. I don't quarrel with the fact that you have got 212 days in there at all. I am just trying to relate the usual long-term programs to what we can expect to experience under title X.

Mr. KARRAS. I would like to respond to that, sir. There are typically two kinds of title X projects, Senator. There is one kind, of course, that I know you are particularly interested in, that kind refers to the whole issue of job effectiveness. I happen to know that with regard to some of those being developed for EDA's consideration several are of the job-effective type.

These are projects which have already been engineered. Some of them have already approached the bid stage. Some of them may very well have been bid. The thing that is holding the project back is the additional amount of money necessary to activate all that other money, along the lines as we defined. Title X money then is seen as job-effective.

The second area of projects relate to those highly labor-intensive projects where engineering is minimal. There is very little engineering, Senator, associated with the restoration work, rehabilitation work, street and gutter work, the kinds of projects where the labor costs are high and the material and equipment costs, or for that matter, the profit costs are low.

You will find very little overhead costs in these kinds of projects because you are talking about projects in some cases where the mayor, himself, will construct a project under force account procedures. So he doesn't have to go through the whole bidding process of advertising the project and then getting it under bid and finally making an award to a contractor.

There will be force account projects. The typical title X project will have very little engineering. Therefore, we expect with regard to those projects that EDA will be confronted with, they will go under construction—I have heard the Secretary say within 120 days after approval.

I would submit, sir, respectfully, we can beat that significantly.

Senator McCURE. I am glad to hear that. That is the very thing we are looking for, particularly under title X. Again, I recollect the distinction between the usual EDA function of long-term economic development, and the special conditions under which we are operating in, trying to get some immediate job creation out of the expenditure of Federal moneys.

I know, Mr. Secretary, you testified that you think EDA's responsibility is primarily that of long-term economic activity, and not primarily that of the short-term economic stimulus. The difficulty that I have is whose job is it to administer the short-term economic stimulus?

It seems to me what we have already seen in testimony here is that public works properly conceived and properly directed can operate to create jobs in the short term. But just a standard public works project is not very likely to do so.

It has got to be a properly conceived and properly directed project if it is going to cut these times.

Mr. TABOR. I would agree with that statement, Senator McClure. I would also suggest that we are perhaps taking advantage in this emergency situation of some preliminary work that happens to have been done in various communities toward achieving the ends of the general long-term program.

What we are probably sacrificing here is the certainty that these short-term, hurry-up type awards are the most needed projects in terms of the community's long-term growth. We are sacrificing that to put people to work. That is a perfectly understandable and valid judgment to make.

Senator McCLURE. You have to take off one hat and put on the other. Remember under title X your mandate is quite different than under the balance of it, and that is to put people to work quickly.

We could have passed a similar bill and put that responsibility almost anywhere else in Government. The Congress chose the Department of Commerce and assigned that job to EDA simply because it had to rest somewhere. There was no responsibility anywhere in Government to marshal the assets of the Government in Federal programs until title X was enacted.

Mr. TABOR. I think Commerce has an ongoing responsibility for the economic well-being of the country, and for people through our private enterprise system, EDA type programs and title X programs to find a means of earning a living.

Senator McCLURE. All I am trying to get on the record really is the fact that EDA under title X has the responsibility which is unique for EDA, unique for Commerce, unique for every other agency of the Federal Government. It has become the focal point of the Government's actions in attempting to move Federal programs forward in terms of job effectiveness in the short term.

Other than that, every other Federal program has every other Federal program aim, except immediate job creation in terms of job effectiveness.

Mr. TABOR. I think the CETA program in the Department of Labor focuses rather intensively on getting people on payrolls, but there is not any enduring result in the community other than the paychecks. This hopefully is going to make useful contributions to the community.

Senator McCLURE. I have no question that CETA can. That is a public payroll solution. I could not help but think as the chairman was talking earlier about what are you doing directly to create employment, what are you doing to get people on the payroll, I recall the current unemployment figures are about 9 million people in the country, at \$20,000 a job, it would only take \$180 billion a year to do that.

We can't look to the Federal Government alone to provide the paycheck for every unemployed person in this country. The Federal Government's job is to mobilize the efforts of the public and nonpublic commercial activity in this country to job creation.

One of the most effective witnesses we had before the Budget Committee in terms of job creation was the leader of a major union in this country who said the key to unemployment in this country is capital formation.

He wasn't talking about capital formation in the hands of the Government. He didn't have in mind putting on another shift at the Bu-

reau of Printing and Engraving. He was talking about capital to make the investments to create the job opportunities for the people, not through a direct Federal employment program.

I think the direct Federal employment programs are stopgaps, but they don't solve the basic dilemma. The basic dilemma is an economic downturn, in part induced by excesses of government.

I could not help thinking also a little earlier when we were talking about high interest rates, that the argument ought not to go completely unbalanced this morning, that high interest rates are not simply the result of a policy of government that wants high interest rates, they are also the result of high rates of inflation.

There is no way under the Sun to keep interest rates down when you have high rates of inflation.

Mr. TABOR. And also where there is an excessive spending by the Federal Government which creates a shortage of the money available to the private sector. The price therefore that one has to pay to get what money is available is bid up.

Senator McCCLURE. Again, you covered some ground we have already covered before, and that is in regard to the aim of title X. You and I have been using the term this morning "job effectiveness."

Although the statute uses the term labor intensive, I think the meaning of the statute was labor intensive in terms of gross employment of what we are thinking here in title X as job effectiveness in terms of the additional Federal expenditure.

Mr. TABOR. When you say "job effectiveness," I take it, Senator McClure, you are saying that the dollars spent will generate a high rate of employment?

Senator McCCLURE. It may not be a labor intensive project in the usual sense of the term, but in the sense of the dollar spent under the program, the number of jobs created would be a high number.

Mr. TABOR. That is what we had in mind in selection projects for allocation.

Senator McCCLURE. I am sure it is, but I think there was some initial confusion on that point because of the word used in the bill itself, which was in subsection 5, giving first priority to programs and projects which are most labor intensive.

We were thinking in that particular language in terms of the ratio of jobs created under the expenditures under this program, and not under the total expenditure on that particular job or project.

Do you think the title X program is now moving pretty well? As I recall some of the earlier colloquy, there was some reference made to the fact there was an impasse for a period of time between the Congress and the administration.

Mr. TABOR. I think it was just a suspension. The chairman described the Presidential message at signature to be a deferral. The deferral was defined by GAO to be a rescission. So, there had to be the passage of time involved in a rescission, as enacted by Congress.

Senator McCCLURE. Do you recall the date at which Congress then acted on that rescission?

Mr. TABOR. I think it was the nonaction. A certain number of days had to pass without action in order for the rescission to be ineffective. I think the date was April 11. I am told by staff.

Senator McCCLURE. We should look at the time lapse from April 11 to June 1, rather than from last December to June 1?

Mr. TABOR. Certainly that was the time of full realization that the program was going forward. We did, however, have the opportunity to do some work in the period from whatever it was, January 3, up to April 11.

Senator McCCLURE. It is likely that Congress will ultimately see that you have an additional \$375 million under title X.

Mr. TABOR. That bill is now on the President's desk. The question is whether he will veto it.

Senator McCCLURE. I hope personally the President will approve at least that portion.

Mr. TABOR. I am not sure he is able to select.

Senator McCCLURE. I realize that. I don't know what form or what timing the final approval may come at, but I only mention that because I want to ask how long in your estimation, assuming without presupposing what the President's judgment might be—or what action the Congress might feel was appropriate in the event he vetoed it—but just in the event the \$375 million is made available, how quickly could you move toward the allocation of the additional \$375 million?

Mr. TABOR. I think I will ask Mr. Mizell to field that one.

Mr. MIZELL. I think that it would be difficult to say just how quickly we could move, but since we have got all the groundwork laid now for the present title X projects, the thing that we would have to do immediately is go back to the agencies and ask them to send us their projects that they think would qualify for title X funding.

Based on the last survey that we made with the agencies and realizing that no doubt they had the cream of the crop that they have in-house to select from, they were able to come back to us rather quickly with the additional information that we asked them for relating to projects.

So, the groundwork has already been laid to where we should not have anything approximate the timespan we have had from April 14 to June 1.

How many of those would be good projects would just be speculative on our part at this point. We just have to wait and see how many of them would be good projects.

Senator McCCLURE. You mean, you might have some left over from this first batch? You have \$180 million worth of projects identified and you are going to make awards for \$125 million.

Mr. TABOR. Should the program be funded at \$375 million more, this would be three times the volume. Whether that is reflected directly in the number of submissions or not, it is more work.

Senator McCCLURE. I recollect that, Mr. Secretary. I was trying to get that time frame boiled down. I got it down from April 11 to June 1, which is 49 days. I was hoping I could keep you within that time frame on the commitment on the \$375 million.

Mr. TABOR. The original title X, of course, had a 75-day time frame within which to allocate. And whatever command the Congress and the President, by jointly approving a bill, gave, we would do our absolute best to comply with that order.

Senator McCCLURE. Questions have been raised about the involvement of local communities in the title X programs. It is my understanding that many of these projects were and are local projects and that the funds will be transferred by the Federal agency to the local project.

Do you know how many projects are of this type, as in contrast with those which may be purely Federal programs, such as work on the Corps of Engineers projects?

Mr. MIZELL. Just looking at some information that the staff has handed me, we think that right now it will probably be close to two-thirds.

Senator McCLURE. Two-thirds of the total are expected to be local projects.

Mr. MIZELL. That is correct. That will go through the Federal agencies to the local communities. It will not be long before we will be able to give you an accurate figure.

Senator McCLURE. There is one other factor that needs to be brought in as far as title X is concerned. I touched on it earlier in terms of job effectiveness. That is what is referred to as leverage. The ability of these funds to leverage a larger amount of investment through other funding sources.

It is my understanding that the estimate on the \$5 billion House bill is that it would create 250,000 direct jobs, which is again the \$20,000 per job figure.

As I recall your estimate is that this is about twice that effective in terms of job creation, is that correct?

Mr. MIZELL. In comparison to title X and the bill that passed in the House?

Senator McCLURE. Yes. Do you expect to create some 15,000 jobs?

Mr. MIZELL. That is correct.

Senator McCLURE. Out of a \$125 million expenditure, that would average less than \$10,000 per job created.

Mr. MIZELL. That is correct. Based, however, on the experience under the PWIP program, that may be a very conservative estimate. When it boiled down to it, it amounted to \$40,000 a year per job.

Senator McCLURE. It would create approximately 125,000 jobs with the expenditure of \$5 billion if that is true.

Mr. TABOR. On the point of the leverage, Mr. Chairman, it is obvious that waiver of the local share reduces leverage. So that is another reason why we do not support the waiver.

Senator DOMENICI. Would the Senator yield for a couple of questions?

Senator McCLURE. I want to ask one or two other questions and then I would be happy to yield.

The PWIP evaluation to which you have made a couple of references this morning illustrated a maximum or a high of \$40,000 cost per job. Is that direct employment or does that include the indirect effects of the economic stimulus of these jobs?

Mr. MIZELL. That would be direct jobs.

Senator McCLURE. So if there were additional demand made for the pumps or the equipment used in the project, for instance, the stimulus on that ancillary economic activity would not be measured in this particular figure?

Mr. MIZELL. That is true.

Senator McCLURE. Likewise it would not be measured in the estimate that you have given us in regard to the title X job creation?

Mr. MIZELL. That is true.

Senator McCLURE. I yield to the Senator from New Mexico.

Senator DOMENICI. Mr. Secretary, let me make sure that I understand the administration's position regarding title X at this point. I don't want to go back and belabor the misunderstandings that occurred 2, 3, or 4 months ago, when we first introduced this title X as an amendment on the floor.

Do I understand that at least as to the \$125 million that this has the full blessings of the administration at this point?

Mr. TABOR. Well, we are pursuing it with every amount of vigor we have. There is full intention to implement it. We have had discussions with the Department of Labor, pursuant to the act, and those joint reviews I think have been carried out. I have not talked to the President himself about it, but I have talked with the Office of Management and Budget, and I think we are pursuing it vigorously.

Senator DOMENICI. With reference to the report on the project you are going to make very soon, will that report include some description as to the kind of jobs that will be created?

Mr. MIZELL. I think this something we would like to know and we would like to compile all of this information that we can.

Senator DOMENICI. I think in deference to the program and its competitors in Congress, it would be very important to try to give us some summary description of the kind of work that people are going to be doing so that we are not put in a position of not knowing how it is going to compete in terms of the kinds of jobs it is going to produce in the marketplace with the other programs, and so we will know what the facts are.

I would hope you could do that to some extent.

Mr. TABOR. May I clarify that, Senator? We would certainly make an estimate of the jobs to be created by each of the allocated projects.

Do I understand from you that you are requesting or suggesting that we also indicate the kinds of jobs? In other words, common laborers, carpenters, plumbers, steamfitters?

Senator DOMENICI. Yes. To the extent you can. The program as we thought it up should offer us a variety of jobs. It will hold itself up against any of the other programs in terms of employing those unemployed.

It will not zero in totally on construction, but be effective in that area and others. I think for us to know what kind of employment opportunities, though they be temporary, are going to be provided, would be very important.

Mr. TABOR. I think if we could hold the breakdown to skilled and unskilled—

Senator DOMENICI. And some kind of an indication as to what they are going to earn for their work, so we also have that as a benchmark to compare to the other competitive economic stimulators that are being tossed around.

I would hope that title X gets funded more than \$125 million, and I can say forthrightly today I support that. I don't think you are going to get the same list of needs from agencies as you did before, because it doesn't take but a cursory look at your original list to see what happened to it.

That is the first time the Government ever did that, you know. We already have in the pipeline some of the biggest projects which are now separate bills.

For instance, the largest items on there was \$9 billion for the railroad project submitted by the independent agency that monitors railroads. Obviously, with \$125 million, even with our original one-half billion dollars we wanted to put in, which was cut down to \$125 million, we could not have done anything there.

The Senate yesterday passed a \$600 million program to aid the railroads in deferred maintenance, which will put people to work under CETA, and that one will probably not come back to you.

It is interesting that the small business committee in the House picked that SBA item off your list, and found if they were to receive substantial additional funding, they would put many more people to work in small businesses.

You are not going to get that one back because that is going to be funneled under a separate program for economic stimulation.

You also got some same aberrations. For instance, one of the others on the list, Mr. Secretary, was the fact that we could build a lot of post offices that are needed.

Well, instead of waiting for the normal funding which Congress provided under the Bonding Act, the House jumped that one and said, "We will put people to work and build \$750 million worth of post offices," under the guise of stimulation.

Well, it is my guess that is not going to clear the Congress because it was discussed thoroughly in the Budget Committee and it seems we would rather they use their bonding capacity.

But it was picked right off the list as a direct potential for employment. I think you can find a number of them that the House picked out in the various committees and took off the list. So you will not get all of them back.

I am concerned about your apparent reluctance to indicate to us that you could in fact expeditiously administer additional moneys under title X, without substantial delay. If we were talking about \$375 million and it did become law, could you tell us whether or not, based on your experience at this point, that could be implemented?

I might relate it to others, implemented quicker than some of the other programs you have analyzed? You seem not to want to comment that you could do it. Could you relate it to time frames? Are there programs out there to fit for the act? Could you answer that question first?

Mr. MIZELL. You want me to field that one, Mr. Secretary?

Mr. TABOR. I will answer briefly, to be supplemented. I can't tell you now, Senator, whether there are that many additional good projects and programs which could be added to the present \$125 million. I will say that the \$125 million will take the very best. We asked for approximately \$180 million worth of the very best that these agencies could give us. We are sure of those.

Beyond that, I think we are in the realm of uncertainty. As has been pointed out, there certainly will be \$55 million of the very best projects which will not be funded. So, that is a running start on any additional programs that might emerge.

Senator McCLURE. Would you yield on that point?

Senator DOMENICI. Certainly.

Senator McCLURE. I assume the original submission and the final letter asking for this elicited Federal grant application resubmission.

In other words, they were all in essence originally Federal grant programs of one kind or another?

Mr. TABOR. Not all, I think, Senator. Some of these were items that the Departments themselves, for example, Agriculture, had wanted to do.

Senator McCLURE. Are either a Federal grant program or a direct Federal expenditure itself. It neither directly solicited because of the time frame nor received a completely local governmental or non-Federal grant application?

Mr. TABOR. Subject to comments by Assistant Secretary Mizell, insofar as applications came in through EDA, and insofar as EDA and the title V regional commissions also submitted applications at the same time as the Department of Agriculture and the Department of Defense and HUD, there were applications from local communities.

Whether there were any new ones stimulated by title X, I don't know.

Mr. MIZELL. Those that came in through EDA would have come from the grassroots level.

Senator McCLURE. They would be more or less in that stack of applications being processed in one way or another?

Mr. MIZELL. No. I think it would be probably safe to say the overwhelming majority of those that came in from EDA were not in EDA's regional offices at the time.

Senator McCLURE. I wonder when you give us the report, if you could give us an indication of the completely new application that generated new programs.

Senator DOMENICI. No further questions.

Senator MONTOYA. Thank you very much, gentlemen.

Mr. TABOR. It is a pleasure to be before you.

Senator McCLURE. Before we move to the next witness, just for the record, the Treasury study with regard to the impact of revenue sharing, I think it might be well that the record reflect that that study showed that the States have spent 82 percent of their money—State money, on direct operating costs—primarily in the field of education.

Local governments have put 52 percent of that money into operating costs, 48 percent into one-time capital costs.

It would be my observation that probably the initial grants under revenue sharing went into one-time-only capital costs. As they develop more confidence and the funding would be there, they would move more away from capital cost expenditures and into operating and maintenance costs in a more substantial proportion.

I thought in view of the earlier colloquy, that perhaps might be well to have on the record.

Senator MONTOYA. Would you gentleman hereafter try to submit your statements 48 hours before, so that we can evaluate them before the hearing?

Mr. TABOR. Yes, sir.

Mr. MIZELL. Yes, sir, Mr. Chairman.

Senator MONTOYA. I would sure appreciate it.

[The letter and accompanying material previously referred to by Senator Randolph follow:]

MARCH 21, 1975.

Hon. ELMER B. STAATS,
Comptroller General of the United States,
General Accounting Office, Washington, D.C.

DEAR ELMER: The Senate Public Works Committee soon will be considering legislation to stimulate employment through public works programs. In this context, information is needed on the current status of Federal funds available for construction either through appropriations or obligational authority.

In order to evaluate any expanded public works construction activity such information should relate to all Federal and Federally-assisted construction programs not just those authorized by the Committee.

I request that you initiate a study of the status of all Federal or Federally assisted construction projects funded by currently available appropriations or contract authority. Your study should ascertain the dollar amount of such appropriated funds or obligational authority available at this time. Information concerning the current status of the processing of project applications using these funds would be most helpful, especially those Federally-assisted projects which have been approved for funding but on which construction has not begun.

Additionally, information gathered in your study should determine the cause of any delay in placing such funds or authority under contract. In particular, do such delays result from administrative inertia, environmental impact statement requirements, lack of State or local compliance with other Federal requirements, or for any other reasons? As you develop the information, it would be desirable to have your assessment of the speed with which projects could be moved to approval and contract award.

Your report by April 30 would be appreciated.

Truly,

JENNINGS RANDOLPH, *Chairman.*

U.S. GENERAL ACCOUNTING OFFICE,
Washington, D.C., April 30, 1975.

Mr. JOHN W. YAGO,
Professional Staff Member,
Senate Committee on Public Works.

DEAR MR. YAGO: The attached letters from the Departments of Agriculture and Housing and Urban Development are the responses we have received to date to our letter of April 8 concerning the status of public works programs. As I mentioned to you on the telephone, we have discussed the Agriculture response with them and have come to an agreement that the Forest Service's Roads and Trails Program exceeds the \$500 million minimum and should be the subject of a more complete response. Agriculture has agreed to revise their response accordingly and we will forward it to you when we receive it.

We also sent letters to FAA and the Urban Mass Transportation Administration but do not have their responses. We understand these are in the final stages of preparation and will be available in a few days.

Please advise if you would like any further follow-up or analysis.

Best Regards,

DONALD Z. FORCIER, *Senior Analyst.*

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., April 17, 1975.

Mr. HENRY ESCHWEGE,
Director, Resources and Economic Development Division,
General Accounting Office,
Washington, D.C.

DEAR MR. ESCHWEGE: This will acknowledge receipt of your letter of April 8, 1975, addressed to Secretary Butz, inquiring about this Department's construction projects.

Since this Department's construction funds do not approach the minimum (\$500 million) stated in your inquiry, we are submitting a negative report.

Sincerely,

WARREN A. BLIGHT,
Deputy Director of Finance.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., April 22, 1975.

Mr. HENRY ESCHWEGE,
*Director, Resources and Economic Development Division,
General Accounting Office,
Washington, D.C.*

DEAR MR. ESCHWEGE: The Secretary has asked me to respond to your request of April 8, 1975, on behalf of the Senate Public Works Committee, relative to the "current status of Federal funds available for construction either through appropriations or contract authority." Specifically, you requested information on programs currently authorized (not including loan or loan guarantee programs), involving construction activity of \$500 million or more.

The Department of Housing and Urban Development administers one program which comes near to being relevant to your inquiry. Title I of the Housing and Community Development Act of 1974 (P.L. 93-383) authorizes a program of grant assistance to States and units of general local government for the funding of local community development programs. This new Community Development Grant program replaces certain former categorical grant programs which previously financed local development projects. Under the provisions of the 1974 Act, these programs have been terminated as of January 1, 1975.

Among the activities eligible for assistance under the Community Development Grant program are the acquisition, construction, and installation of certain types of public works and facilities, including neighborhood facilities, utilities, streets, street lights, water and sewer facilities, parks, playgrounds, etc. In addition to these physical development or public works type projects, funds may be used to acquire land, rehabilitate housing, provide public services, as well as undertake a wide range of economic and social development activities. Activities or projects actually undertaken, as part of a given locality's community development program, are on the basis of local priorities since HUD does not prescribe how the grantee shall use its funds. These priorities are identified by the community when applying for grant assistance. The Department is only now reviewing the first round of applications under this new program, so it is not yet possible to project, accurately, the extent of public works construction which communities plan to undertake with their first year grants. Based on a review of a limited number of early applications, it is possible to speculate that perhaps 55 percent of available funds will go for construction related activities, including land acquisition.

With the above background on this new "block grant" program, the following specific information is presented in accordance with your request:

Community development grant program

	<i>Millions</i>
Authorization available, fiscal year 1975-----	\$2,550
Appropriations available, fiscal year 1975-----	2,495
Obligations (as of Feb. 28, 1975)-----	158
Unobligated (as of Feb. 28, 1975)-----	2,337

It is anticipated that the 1975 appropriation will be fully obligated by September 30, 1975. No estimates of outlays by quarter are available because there is insufficient program experience on which to make such estimates.

We hope this information is helpful to you.

Sincerely,

LONNELL JOHNSON,
(For Thomas G. Cody, Assistant Secretary).

U.S. GENERAL ACCOUNTING OFFICE,
Washington, D.C., May 13, 1975.

Mr. JOHN W. YAGO,
*Professional Staff Member,
Senate Committee on Public Works.*

DEAR MR. YAGO: The attached letters are the responses that we have received from the Federal Aviation Administration and the Urban Mass Transportation Administration to our letter of April 8 concerning the status of public works programs. Also attached is a revised response from the Department of Agriculture as discussed in our letter to you of April 30.

This concludes our requirements under your request. Please advise if you would like any further follow-up or analysis.

Best regards,

DONALD Z. FORCIER, *Senior Analyst.*

DEPARTMENT OF TRANSPORTATION,
FEDERAL AVIATION ADMINISTRATION,
Washington, D.C., April 25, 1975.

Mr. HENRY ESCHWEGE,
*Director, Resources and Economic Development Division, General Accounting
Office, Washington, D.C.*

DEAR MR. ESCHWEGE: Reference is made to your letter of April 8 requesting information on the current status of Federal funds available for construction either through appropriations or contract authority. Under the \$500 million criterion set forth in your request, this agency submits a negative report.

Sincerely,

MURRAY E. SMITH,

(*For Charles E. Weithoner, Associate Administrator for Administration.*)

DEPARTMENT OF TRANSPORTATION,
URBAN MASS TRANSPORTATION ADMINISTRATION,
Washington, D.C., May 5, 1975.

Mr. HENRY ESCHWEGE,
*Director, Resources and Economic Development Division, U.S. General Account-
ing Office, Washington, D.C.*

DEAR MR. ESCHWEGE: In response to your request of April 8, 1975, on "public works" construction, the Urban Mass Transportation Administration (UMTA) administers four activities which may involve construction. Two of these activities—Capital Facilities grants and Formula grants—are authorized by the Urban Mass Transportation Act of 1964, as amended (49 U.S.C. 1601, et seq., as amended by Public Laws 93-453 and 93-503). The other two activities—Interstate Transfer grants and Urban Substitution grants—are authorized by portions of the Federal-Aid Highway Act of 1973 (sections 103(e)(4) and 142(c) of Title 23, United States Code). All four activities are designed to provide financial assistance to eligible entities through grants which are awarded for specific improvements to transit facilities and/or equipment, and, in the case of Formula grants only, for aid in meeting operating expenses. Assistance provided may involve construction as an integral component of the grant. However, as the statutes contemplate the aid as being responsive to State and local wants, the budget authority is available for the broad purposes of the statutes without any stipulated usage being defined. Thus, responses to your questions as to funds available for construction represent an estimate of use based on past experience.

Under the provisions of the Urban Mass Transportation Act of 1964, as amended, the program administered by UMTA is financed through a "Public Enterprise Fund," titled the "Urban Mass Transportation Fund." Budget authority—both appropriations and contract authority—is available without fiscal year limitation, and the Urban Mass Transportation Fund has been capitalized by providing budget authority which is intended to be used over the next five to six years. Further, the budget authority is delineated between general purposes of the program and Formula grants, as defined in sections 4(c) and 5, respectively, of the Urban Mass Transportation Act of 1964, as amended.

Concerning the Interstate Transfer grants and the Urban Substitution grants authorized by sections 103(e)(4) and 142(c) of Title 23, United States Code,

the budget authority is indefinite—the amount is undefined. Grants for transit improvements under this law are accounted for within the Urban Mass Transportation Fund. Given the indefinite budget authority, there is no possible accounting for the total amount available for this particular authority.

All budget authority under the provisions of the 1970, 1973, and 1974 amendments to the Urban Mass Transportation Act of 1964 (Public Laws 91-453, 93-87, and 93-503, respectively) became available immediately. However, through the appropriations process, an annual limitation has been imposed over the use of the available authority. This limitation has been a part of the President's budget proposals and the Congress has concurred in the limitation, as evidenced by the Appropriations Acts which have been passed since fiscal year 1971. Thus, review of the statutes which provide defined budget authority for the UMTA program will show as an availability the full amount—\$3.1 billion, \$3.0 billion, and \$8.8 billion—but this authorization is affected by the annual appropriations acts which create a ceiling on the use of the amounts available.

Budgets for the UMTA program are prepared on a pre-obligation basis, and the Congress in appropriations process recognizes this funding technique. Simply stated, budget authority usage is measured on the dollar value of administrative reservations rather than obligations. UMTA grants are for specific purposes, with cash payments made on delivery of defined goods or services. To assure delivery, grants are supported by a contractual agreement. Pursuant to section 1311 of the Supplemental Appropriations Act of 1955, the latter document constitutes an obligation. UMTA grant awards are offers to applicants and the administrative reservation financing technique holds amounts until the grantee accepts or rejects the offer. Thus, information which follows is geared to administrative reservation.

"1. The amount of authority currently available by year of authorization. This would include all amounts that have not been disbursed."

Data provided below assumes a first-in, first-out flow of budget authority. Relating the data in this fashion is occasioned by the fact that the authority as contained in the law is an unapportioned amount.

Summary of Construction-Related Budget Authority, As of March 31, 1975

	Thousands
Estimated future construction assistance (March 31, 1975 through fiscal year 1980)-----	\$3,470, 132
Value of work to be performed-----	732, 575
Total -----	4, 202, 707

The foregoing is derived from the following analyses:

Summary of Available Resources From June 30, 1970 Through March 31, 1975

	Thousands
Balance at June 30, 1970-----	\$224, 645
Fiscal year 1971 activity:	
Add: Contract authority-----	2, 872, 500
Appropriations -----	227, 500
Recoveries (loan repayments, interest, et cetera) -----	4, 156
Subtotal -----	3, 104, 156
Less: Administrative reservations-----	-398, 040
Rescinded borrowing authority-----	-50, 000
Subtotal -----	-448, 040
Net change-----	2, 656, 116
Balance at June 30, 1971-----	2, 880, 761
Fiscal year 1972 activity:	
Add: Recoveries-----	3, 573
Less. Administrative reservations-----	-604, 022
Balance at June 30, 1972 (carried forward)-----	2, 280, 312

*Summary of Available Resources From June 30, 1970 Through March 31,
1975—Continued*

Fiscal year 1973 activity:	<i>Thousands</i>
Add: Recoveries.....	\$61,489
Less: Administrative reservations.....	-969,260
Balance at June 30, 1973.....	<u>1,372,541</u>
Fiscal year 1974 activity:	
Add: Contract authority.....	3,095,288
Recoveries.....	1,491
Subtotal.....	<u>3,096,779</u>
Less: Transfer to another account.....	-35,000
Lapsing amount.....	-161
Administrative reservations.....	-1,080,191
Subtotal.....	<u>-1,115,352</u>
Net change.....	<u>1,981,427</u>
Balance at June 30, 1973.....	<u>3,353,968</u>
Fiscal year 1975 activity (through March 31, 1975):	
Add: Contract authority:	
General use.....	4,825,000
Formula grants.....	3,975,000
Title 23.....	23,040
Subtotal.....	8,823,040
Less: Administrative reservations.....	-454,544
Balance at March 31, 1973 (estimate).....	<u>11,722,464</u>

Analysis of Available Budget Authority, March 31, 1975

Total (estimate).....	\$11,722,464
Less: Restricted for loans.....	-7,200
Subtotal.....	<u>11,715,264</u>
Less: Estimated fiscal year 1975 through fiscal year 1980 requirement for Tech Studies, R.D. & D., university activities and administrative expenses.....	-800,000
Subtotal.....	<u>10,915,264</u>
Less Formula grants.....	¹ -3,975,000
Available for capital assistance.....	6,940,264
Estimated future construction assistance, March 31, 1975, through fiscal year 1980).....	3,470,132

¹ NOTE.—Concerning this recently enacted authority, the activity has not progressed to a point where any definitive data exist which allow inferences on potential construction projects. However, it is doubtful that a material portion will be used for construction because the amounts involved in construction appear to be greater than the amount which could be supported by formula distributions.

The following analysis is offered in lieu of data on disbursements for construction. Equating disbursements to any individual task within an integrated project was not a part of UMTA's information system since the cost seems to exceed the need for such data.

ANALYSIS OF APPROVED GRANTS, PERFORMANCE OF CONSTRUCTION TASKS—UMTA SHARE
INCEPTION THROUGH MAR. 31, 1975

[In thousands of dollars]

Detail	Amount approved	Performance (accrued expenditures)
Professional services (A. & E., legal, etc.)	106,103	45,811
Purchase and installation of equipment for safety, comfort, etc.	14,500	2,034
Demolition	2,163	616
Construction of facilities	408,095	166,386
Rehabilitation of facilities	95,219	21,846
Right-of-way construction	401,136	108,735
Right-of-way rehabilitation	49,896	18,974
Force-account work	24,407	4,542
Total	1,101,519	368,944
Value of work to be performed	732,575	

"2. The amounts obligated and unobligated as of your last reporting date and the estimated obligation and disbursement of these funds from that date through June 30, 1976, by quarter."

URBAN MASS TRANSPORTATION FUND

Analysis of Equity as of March 31, 1975

	Thousands
Obligated:	
Cash	\$345,558
Contract authority (unfunded)	1,728,975
Subtotal	2,078,533
Unobligated:	
Cash	45,328
Contract authority (unfunded)	12,071,862
Subtotal	12,117,190
Total	14,195,723
Estimated disbursements (outlays):	
Fiscal year 1975:	
4th quarter	393,300
Fiscal year 1976:	
1st quarter	205,000
2nd quarter	215,000
3rd quarter	236,500
4th quarter	418,500
Total	1,468,300

"3. Information concerning the cause of any delays in placing such funds or authority under contract. In particular, do such delays result from administrative problems, environmental impact statement requirements, lack of State or local compliance with other Federal requirements, or for any other reason?"

The Capital Facilities activity has been managed with a minimum of administrative barriers to speed development and execution of projects since its inception in the Urban Mass Transportation Act of 1964. Traditionally, most project delays, particularly with respect to construction of major new transit systems, have been the result of statutory requirements such as those requiring a 20% local share of capital projects, those found in the National Environmental Protection Act of

1969, and the labor protection provisions and the planning requirements of the UMT Act of 1964. Of course, technological issues have impeded decisions on some major new systems, although these issues apply to but a handful of urban areas.

"4. Your assessment of what steps could be considered, either administrative or legislative, to speed up the process of approving, awarding, and executing these projects, and the impact that these actions would have on the estimated obligations and disbursements indicated in No. 3, above."

It is the position of the Administration that simplifying the administration of the labor-protection provisions (section 13(c) of the Urban Mass Transportation Act of 1964, as amended) would enhance the process of approving projects. Negotiation of these agreements might be speeded up if the reference to "section 5(a) (f) of the Act of February 4, 1887 (24 Stat. 379)" were deleted from section 13(a). However, the transit industry and representatives of labor are attempting to develop a standardized agreement and it is appropriate to suggest that the Federal Government withhold any legislative action until the results of the transit/labor meetings are known.

A speed-up of the labor-protective agreements might shorten the approval process by ten to eleven months. This would have minimal effect on obligations and disbursements.

If you have any questions about this response to your query, please call either W. H. Boswell, Associate Administrator for Administration (426-4007), or T. E. Hoadley of his staff (426-4004).

Sincerely,

FRANK C. HERRINGER, *Administrator.*

U.S. DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., May 5, 1975.

Mr. HENRY ESCHWEGE,
Director, Resources and Economic Development Division, General Accounting Office, Washington, D.C.

DEAR Mr. ESCHWEGE: This is a follow-up to Mr. Blight's letter of April 17, 1975.

The information on the Forest Roads and Trails is being provided as a result of telephone conversations between Mr. Forcier of your staff and Mr. Martinez and Mr. Larson of this office.

Sincerely,

E. F. BEHRENS,
Chief, Legislative and Financial Reporting.

[Enclosure.]

U.S. DEPARTMENT OF AGRICULTURE

FOREST ROADS AND TRAILS

1. *Obligational authority available* (excludes \$80 million proposed program in Emergency Employment Bill and reimbursements) :

	<i>Millions</i>
Unobligated balance available, June 30, 1974.....	\$450
Contract authority, Federal-Aid Highway Act of 1973 (1976 authority available in 1975).....	140
Contract authority rescinded, Public Law 93-529, December 12, 1974.....	-62
Funds available under appropriation Roads and Trails for States, National Forests Fund (fiscal year 1975).....	47
Total available in fiscal year 1975.....	575
Total program in fiscal year 1975.....	*-159
Unobligated balance available, June 30, 1975.....	*416
Funds available under appropriation Roads and Trails for States, National Forests Fund (fiscal year 1976).....	*48
Total available in fiscal year 1976.....	*464
Total program in fiscal year 1976.....	*-159
Unobligated balance lapsing, June 30, 1976.....	*-26
Unobligated balance available, June 30, 1976.....	*280

*Estimated.

2. *Obligations, disbursements, and unobligated balances* (excludes \$80 million proposed program in Emergency Employment Bill and reimbursements) :

[In millions of dollars]

	Obligations	Disbursements	Unobligated Balance
Mar. 31, 1975	\$102	\$121	\$473
June 30, 1975 ¹	159	187	416
Sept. 30, 1975 ¹	41	61	423
Dec. 31, 1975 ¹	73	92	391
March 31, 1976 ¹	102	122	362
June 30, 1976 ¹	159	151	280

¹ Estimated.

3. Authority for the Roads and Trails program comes from two sources. The Federal-Aid Highway Act of 1973 (PL 93-87) provided unfunded contract authority of \$140 million for each of fiscal years 1974, 1975, and 1976, and authorizes use of such authority one year in advance and two years after the fiscal year for which it is authorized. In addition, ten percent of the National Forest receipts are automatically made available for this program (16 USC 501). The unobligated balances shown in the preceding page are based on the estimated amount of road development required to meet the objectives for resource development and use plans on National Forests and do not represent delays due to administrative difficulties, to environmental impact statement requirements or to other problems.

4. There is included in the Emergency Employment Bill now being considered by Congress, the use of \$80 million under the appropriation Forest Roads and Trails during the current field season for road, bridge, and trail construction and restoration projects and maintenance of roads and trails. It is estimated this will create 7,500 jobs. It is projected that the disbursements will increase \$15 million in fiscal year 1975, \$41 million in fiscal 1976, and \$24 million thereafter. Enactment of this pending bill will affect the balances shown in the tables on the preceding page.

U.S. DEPARTMENT OF AGRICULTURE,
FARMERS HOME ADMINISTRATION,
Washington, D.C., April 17, 1975.

HON. JENNINGS RANDOLPH,
Chairman, Committee on Public Works, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your recent telephone request for information concerning our water and waste disposal loan and grant program.

Based on a recent survey of our Farmers Home Administration state offices, we are submitting the following information:

1. Number of water and waste disposal projects where FmHA funds have been committed but construction has not started as of March 24, 1975, 1,073.
2. Total project cost for all projects as shown in 1. above, \$902,321,100.
3. Total Federal funds included in the total project cost, \$828,103,178.
4. Total FmHA funds committed for the projects, \$642,158,435.
5. Average time in days from commitment of FmHA funds to start of construction, 169.

We would like to point out that the time required from the date FmHA funds are committed to start of construction is not the result of an FmHA regulation or requirement. The time varies from state to state but, on the average, is approximately 169 days. Ordinarily, it is entirely dependent upon the applicant and its engineer, attorney, and bond counsel as to how soon construction is started. Bond validation proceedings and approvals by state regulatory agencies require considerable time in some states.

We hope this is the information you need. If we can be of further assistance, please let us know.

Sincerely,

FRANK B. ELLIOTT,
Administrator.

DEPARTMENT OF THE ARMY,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, D.C., April 22, 1975.

HON. JENNINGS RANDOLPH,
Chairman, Senate Committee on Public Works,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your recent telegram to the Chief of Engineers requesting information on the availability of unobligated funds for construction projects where construction activity has been terminated or where delays in initiation of construction have occurred.

The total amount of previously appropriated funds which were unobligated on 31 March 1975, on projects experiencing delays in construction, was \$18.4 million. Of this amount about \$6.2 million are allocated to 20 projects delayed, pending local interests compliance with local cooperation requirements; \$7.7 million for 7 projects delayed by litigation; \$2.4 million for 12 projects on which we have not completed all necessary design or have not yet filed environmental impact statements; and \$2.1 million for 14 projects delayed for a variety of other factors.

In view of the flexibility granted to the Corps of Engineers by the Appropriations Committees to transfer funds among projects within our program, none of the amounts reported should be regarded as surplus to the Civil Works program. In most cases the amounts currently available on these projects are required to resolve the problems that are impeding construction. Under our normal procedures, any amounts not required on the specific projects for which they were initially appropriated would be recommended for transfer to other projects where they could be effectively used.

In view of the general thrust of your telegram concerning the Committee's intent to consider legislation to stimulate employment through public works programs, I would like to call your attention to our need for early legislative action to increase basin monetary authorizations. Additional monetary authorization is required for a number of our projects and river basin plans in order to be fully responsive to the accelerated work program proposed by the Congress in H.R. 4481, the Emergency Employment Appropriations Act of 1975, and to accomplish the work contemplated by the President's Budget for Fiscal Year 1976. We have submitted information on our basin monetary authorization needs to the Office of Management and Budget and I anticipate an early submission of the Administration's proposal to the Congress.

Sincerely,

MARVIN W. REES, Col., C.E.,

For J. W. MORRIS, Major General, USA, Director of Civil Works.

U.S. ENVIRONMENTAL PROTECTION AGENCY,
Washington, D.C., May 12, 1975.

HON. JENNINGS RANDOLPH,
Chairman, Committee on Public Works,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your communication of April 3, 1975, wherein you requested various information on the status of federally-assisted construction projects under our jurisdiction. I have broken-down your request into the following four major areas for a clear response:

1. *Dollar amount of appropriated funds or obligational authority.* Under P.L. 92-500, \$2 billion was allocated for FY 1973, \$3 billion for FY 1974, \$4 billion for FY 1975, and \$9 billion for FY 1976, bringing total allotments to the States available for obligation to \$18 billion. Of this amount approximately \$4.58 billion has been obligated as of April 18, 1975 leaving a balance currently available to the States of \$13.42 billion.

2. *Current status on projects in application and pre-construction stages.* As of March 31, 1975, projects in the application stage numbered 801 and amounted to \$956.9 million. As of the same date projects which have received construction awards are broken out as follows:

Projects awaiting construction: 384, \$1,193,789,000; projects under construction: 797, \$2,916,442,000; for a total of 1,181 projects, \$4,110,231,000.

3. *Causes of delay in placing projects under contract.* P.L. 92-500, as I am sure you are aware, is an extremely complex and far-reaching piece of legislation. Together with the National Environmental Policy Act of 1969, it has

added a considerable number of new requirements to those previously required by P.L. 84-660, to qualify for our aid. This is particularly true in the area of planning of projects to assure that: (1) the nature of existing problems is thoroughly considered with respect to such matters as infiltration or inflow of ground or stormwater into existing sewer systems; (2) alternative solutions of pollution problems are considered; (3) the solution chosen is the most cost effective; (4) equitable local sewerage charge and industrial cost recovery systems have been adopted; and (5) adverse impact on environment has been avoided, etc. We believe that much progress has been made toward implementing the new requirements particularly since the issuance of our revised regulations in February 1974.

In referring specifically to your request for information on delays, the most significant reasons for project delay are the following: incomplete applications, infiltration/inflow analyses, local funding problems, revision of plans and specifications, environmental assessment and impact statement preparation, high initial bids requiring rebidding, sludge disposal problems, and lack of interest by applicants to move projects to construction.

4. *Assessment of speed with which projects could be moved to approval and contract award.* Our Regional Offices have been meeting with communities and consulting engineers to familiarize them with the new requirements which many of them had not previously had to consider in designing and developing plans for projects. As more and more consultants and their client communities become familiar with the requirements of the new Act, more and more grant applications will be complete and qualified for aid upon submittal. Another Regional Office activity to assist in the submittal of complete and fully documented applications is the pre-application conference. Such conferences are attended by local officials and their consultants as well as State and Federal representatives.

We are continuing to review our policies and procedures with the objective of simplifying requirements in general, including the reduction of paperwork and processing requisite to the making of grants. For example, we have been in the process of delegating authority for final review of plans and specifications to the States which exhibit a capacity and willingness to assume that responsibility. Our policies and procedures for extending this authority to States, and for compensating the States for undertaking this activity, were formalized in regulations printed in the Federal Register under date of October 1, 1974. We are also, under our previously revised regulations, taking steps to involve the States in making infiltration/inflow determinations and permitting the Regional Administrators added discretion to provide as much flexibility as possible in the administration of such legislation to expedite needed construction.

We recognize that delays of 2 to 4 months or even longer, after offer of a grant, are not unusual in getting highly technical projects under construction depending on size and complexity, rebidding needs, etc. However, in the absence of law suits or contested environmental assessments and impact statements, most projects funded under the new Act can be made to move. For this purpose, we are continuing to look for time savers other than amending the Act or changing our regulations. For example, we have recently instituted a National System for tracking all projects with an ultimate estimated cost of \$10 million or more to identify and correct holdups promptly. This system monitors 70% of funds obligated for grants and helps expedite the flow of hundreds of millions of dollars in grant funds into the National economy.

To further accelerate the flow of funds into the economy, I convened a National Seminar in Washington on April 16, 1975, attended by all EPA Regional Administrators, representatives of key States in all of the 10 Regions, national representatives of consulting engineers, construction contractors, organized labor, manufacturers, municipal organizations, and others interested in moving the construction grants program. The Seminar was designed to initiate a regular communication and teamwork effort—involving all levels of government and key non-governmental groups—in making the grant program move forward and maximizing its effect on the economy.

A number of consensus items were derived from the Seminar, among which the following are briefly listed: support of the Cleveland Bill which would delegate more responsibilities to the States, creation of "cradle to grave" program managers at the Regional level, increased staffing for the construction grant program, and revision of State priority lists to include a multi-year listing of projects through the planning, design, and construction stages.

As a further part of the effort, I have established a Special Construction Grants Task Force. The Task Force will identify bottlenecks in the grant process and

make recommendations for simplified implementation of the program consistent with environmental integrity, fiscal integrity, and cost effectiveness.

As a result of our increased emphasis on program management activities and the accelerating pace of completing project planning and design activities, we see a marked increase in the level of funds to be committed by the program. In FY 1974 we obligated approximately \$1.4 billion. We expect obligations to grow to more than \$3 billion this year, \$5 billion next year, and \$6 billion by FY 1977.

In closing, I should like to indicate my appreciation of the problems affecting employment in this country. You may be assured that we are making every effort to move projects through the planning and design stages and into construction as rapidly as possible—not only to build necessary and cost effective water pollution control facilities—but also to provide thousands of jobs in the hard-pressed construction industry. If you have any further questions or suggestions on these matters, please let me know.

Sincerely yours,

RUSSELL E. TRAIN.

DELAYS ENCOUNTERED IN PROJECT DEVELOPMENT

The items listed below merely describe the adjustments the Agency had to make in its processing activity to meet the requirements of resulting from executive orders, laws and regulations and no criticism of their value or purpose is intended.

In accordance with OMB Circular A-95, State and/or regional/metropolitan clearinghouses must review preliminary project applications and have 30-60 days to comment.

EPA must obtain from the Corps of Engineers and HUD information regarding the potential flood level of the project area and availability of flood hazard insurance. This is sometimes a slow process.

The Uniform Relocation and Real Property Acquisition Act of 1970 requires reimbursement for private individuals or businesses displaced from project locations. Local negotiations with these individuals, as well as the determination of the actual reimbursement cause delays in some instances.

All projects require at least an environmental assessment which takes into account primary and secondary factors such as air, noise, solid waste and pesticide pollution, projected changes in residential and industrial development, sensitive wetlands, endangered species, etc. Many outside sources have to be contacted for the information. Further, some projects require an Environmental Impact Statement which must be reviewed by the Council on Environmental Quality and then must be published for public comment. The development and publishing period and subsequent clearances required for such studies can take up to twelve months. Projects cannot be approved before all clearances are obtained.

Clearance is also required that the project site does not contain any historical artifacts or is not otherwise an historical site. This clearance is performed by the State Historical Officer who may first have to visit the site before he can provide this clearance. The processing and approval of the project must await such clearance. Implementing regulations still unpublished.

The imposition of user charge agreements and, more particularly of industrial cost recovery requirements. Before a Step 3 (construction) grant can be awarded, grantees must agree to implement a system to recover from industrial users of treatment works their proportionate share of the grant amount (i.e., 75 percent of the capital cost) allocable to the treatment of wastes from such users; industries must agree to pay these costs, and customer (communities) must agree to impose charges on their industries.

The unrelenting reporting and "accounting for and to" (GAO, Congressional Committees, Internal Auditors and Fact Finding Groups, etc.) requirements imposed upon those responsible for the program at the Regional level. This, combined with the shortage of manpower at both the Regional and State Offices, has disrupted and delayed decision making on individual projects.

Processing and awarding two reimbursement grants for nearly 6000 applicants with projects on which construction was initiated between 7/1/66 and 6/30/72. (Task nearly completed.)

Time taken by some consulting firms to prepare facility planning documents for grantees.

State reviews. Due to increased processing workload and limited staffs, States unable to expedite their reviews.

Congress can help by:

1. Support increased staffing at Regional Offices.
2. Expedite passage of HR 2175—the “Cleveland Bill”—to allow EPA to delegate extensive grant processing responsibility to States and permit States to use up to 2 percent of their allocation for such processing efforts.
3. Expedite passage of bill permitting use of ad valorem taxes in implementing user charge systems.

I. Delays between approval of plans and specifications and initiation of construction have been attributable to:

(a) Local Funding:

1. General problems arising because promised or expected supplemental financial support is delayed e.g., FHA, HUD, etc.
2. High cost of low bidder. Because low bid exceeds the estimated construction cost provided by A&E, grantee must find additional funds to pay his full 25 percent share.

(b) Deficiencies in plans and specifications—primarily in specifications. Because of omissions by A&E firm and/or failure to “catch” same in State review, plans and specifications have to be approved conditionally and, consequently, bidding delayed until conditions are met.

(c) The lengthy process involved in completing environmental impact statements.

(d) Contractor must await “construction season.”

(e) Grantee not committed to earliest possible initiation of project, and accordingly, delays communicating to consultant A&E firm EPA's request for additions to and/or changes in plans and specifications.

(f) Delays within community in accepting Step 3 grant award—prerequisite to advertising.

II. Efforts by EPA to overcome delays:

Once plans and specifications are approved, fully or conditionally, considerable dependence is placed on the grantee to bring the project to construction. In order to overcome delays at the grantee level, EPA has instituted the following:

(a) A National Seminar was convened in Washington on November 7, 1974, attended by all EPA Regional Administrators, representatives of key states in all of the ten regions, national representatives of consulting engineers, construction contractors, organized labor, and others interested in the Wastewater Construction Grants Program. The Seminar was designed as a prototype for others which were held subsequently in each of the regions. As a result of such seminars, a regular communication and teamwork effort—involving all levels of government and key non-governmental groups—has been established for the purpose of more rapidly moving forward the grant program and of maximizing its effect on the economy.

(b) EPA Regional Offices have assigned project managers to each project with responsibility for a project from its inception to completion. Through the continual tracking of the status of each project by project managers, delays are held to a minimum.

(c) Monthly reports on the status of projects. Reports are reviewed at headquarters where delays are monitored and follow-up actions instituted.

(d) Continual efforts are made to more closely integrate Regional Office/State processing actions and to foster closer Regional Office and State ties with grantees and other consultants.

(e) Finally, additional personnel are being requested from OMB to process the increased EPA workload in the construction grants program.

PROJECTS WITH APPROVED PLANS AND SPECIFICATIONS WHICH HAVE NOT YET GONE UNDER CONSTRUCTION

No. 592, with grant amount of \$1,520,000,000.

WWT CONSTRUCTION GRANT FUNDS—OBLIGATIONS AND EXPENDITURES

[Dollar amounts in millions]

Fiscal year:	Net obligations yearly	Net obligations cumulative	Expenditures yearly	Expenditures cumulative	Percent of cumulative obligations expended
1957-66		\$668.5		\$450.0	67.3
1967	\$131.1	799.6	\$84.5	534.5	66.8
1968	191.1	990.7	122.1	656.6	66.2
1969	200.7	1,191.4	134.5	791.1	66.4
1970	424.5	1,616.9	176.4	967.5	59.8
1971	1,151.6	2,767.5	478.4	1,445.9	52.2
1972	859.8	3,627.3	413.4	1,859.3	51.2
1973	2,988.6	6,615.9	684.4	2,543.7	38.4
1974	2,633.3	9,249.2	1,552.5	4,096.2	44.3
1975 (as of Feb. 28, 1975)	1,262.3	10,511.5	970.0	5,066.2	48.2

¹ Includes \$1,271,400,000 obligated under Public Law 93-207.

Note: 48.2 percent of the cumulative obligations have been expended.

PRESENT SITUATION OF SEWAGE TREATMENT

(210 million population base—17,000 municipal discharger plus 1,000 no discharger, 18,000 total).

Number of Population Now Sewered (Treatment described below), 160 million; Percent of Total Population, 76 percent.

Number of Population Receiving Less Than Secondary or No Treatment, 107 million; Percent of Total Population, 51 percent.

Number of Population Receiving Secondary or Better Treatment, 53 million; Percent of Total Population, 25 percent.

Approximately 24% of the 1973 population is unsewered. It is estimated that 10-15% of the 1973 population is both unsewered and does not need sewers. Our best estimate based on conservative extrapolation of past trends is that the total sewered population will be 85% to 90% of the total by 1990.

It is estimated, hopefully, that 50 percent or 9,000 of the municipal treatment plants will be 1977/78 provide secondary treatment or some higher level required by water quality. However, less than 40 percent of the 1977 population will be served by secondary treatment or some higher level necessary to meet water quality, principally because the larger cities will not have had time to complete construction.

Based on the 1974 Needs Survey, it will take \$46 billion (\$35 billion in 75% grants) to raise treatment up to secondary or higher where required by water quality standards. With the intention to apply a total of \$15 billion in grants to water pollution abatement by 1977 (but not completed construction) something over 40 percent of the planned construction will have been covered by grant awards by the end of FY 1977. Based on an average project cost of \$3.5 million, the \$15 billion could involve over 4,000 municipalities.

CONSTRUCTION GRANTS—TOTAL GRANT AWARDS FOR STEP 3 CONSTRUCTION PROJECTS NOT YET UNDER CONSTRUCTION AS OF MAR. 31, 1975, PUBLIC LAW 92-500 PROJECTS ONLY

(Dollar amounts in millions)

Region	4 to 6 months			7 to 12 months			Over 12 months			Total (over 4 months)		
	Amount	Percent of total	Num-ber	Amount	Percent of total	Num-ber	Amount	Percent of total	Num-ber	Amount	Percent of total	Num-ber
1	\$9.9	4.2	9	\$67.0	14.1	18	\$54.8	15.7	4	\$76.9	9.9	27
2	14.9	6.4	7	129.5	27.3	7	6.1	16.9	4	199.2	25.6	18
3	55.7	23.9	21	171.9	36.3	41	39.7	11.7	4	239.3	30.7	68
4	48.3	20.7	3	30.3	6.4	5	4.3	16.2	3	21.2	2.7	3
5	63.6	27.3	4	49.6	10.5	11	9.5	3.1	3	80.8	10.4	13
6	16.7	7.2	9	13.0	3.4	21	18.3	4.7	7	13.2	1.4	3
7	4.9	2.1	3	2.3	.5	6	5.2	1.1	1	33.0	4.4	30
8	18.8	8.1	11	4.1	.9	3	2.6	3.2	1	10.6	1.4	16
9	.2	.1	2	3.0	.6	3	2.6	.1	1	22.1	2.9	14
10										3.2	.1	6
Total	233.0		69	474.0		115	72.2		19	779.2		206
Percent of total	29.9		34	60.8		56.6	9.3		9.4			

CONSTRUCTION GRANTS

TOTAL GRANT AWARDS FOR CONSTRUCTION PROJECTS NOT YET UNDER CONSTRUCTION AS OF MAR. 31, 1975,
PUBLIC LAW 84-900 PROJECTS ONLY, OVER 24 MONTHS SINCE GRANT AWARD

Region	Number	Percent of total	Amount (millions)	Percent of total
1-----	1	0.7	\$0.7	0.3
2-----	6	4.2	30.1	14.6
3-----	38	26.8	41.1	20.0
4-----	29	20.4	25.6	12.5
5-----	3	2.1	5.8	2.8
6-----	27	19.0	42.7	20.8
7-----	8	5.6	24.9	12.1
8-----	17	12.0	9.9	4.8
9-----	10	7.1	24.6	12.0
10-----	3	2.1	.2	.1
Total-----	142	-----	205.6	-----

STATUS OF CONSTRUCTION GRANT PROJECTS NOT YET UNDER CONSTRUCTION AS OF APRIL 4, 1975, FOR 6 MONTHS OR MORE

	Public Law 92-500 projects			Public Law 84-600 projects			All projects		
	Number	Percent of total	Amount (millions)	Number	Percent of total	Amount (millions)	Number	Percent of total	Amount (millions)
Under construction.....	37	23.3	\$82.0	20	14.4	\$26.6	57	19.1	\$108.6
Bidding or advertising.....	77	48.4	388.0	28	20.1	57.2	105	28.2	446.2
Regional or State review.....	3	1.9	1.7	18	12.9	13.8	21	7.1	15.5
Site problems.....	11	6.9	59.2	20	14.4	43.8	31	10.4	103.0
Site problems.....	9	5.7	24.0	3	2.2	2.7	12	4.0	26.7
Environmental problems.....	4	2.5	7.7	9	6.5	14.2	13	4.4	21.9
Administrative problems.....	7	4.4	88.3	4	2.9	5.0	11	3.7	93.3
Local funding problems.....	10	6.3	10.1	19	13.7	13.4	29	9.7	23.5
To be withdrawn.....	1	.6	.4	18	12.9	6.4	19	6.4	6.8
Total.....	159	-----	661.4	139	-----	183.1	298	-----	844.5

STATUS AND ACTION DESCRIPTION CODES FOR STEP 3 PRECONSTRUCTION STAGE PROJECTS

Code and Status

0—Under construction.

Bidding or Advertising Stage

- 1—Authority to Award Contract.
- 2—Bids Received.
- 3—Being Advertised.
- 4—Scheduled Advertising.
- 5—Bids Too High.
- 6—Rebidding.
- 7—
- 8—
- 9—Other Bidding or Advertising.

Regional Review

- 10—P & S Being Reviewed.
- 11—EIS Being Reviewed.
- 12—
- 13—
- 14—
- 15—
- 16—
- 17—
- 18—
- 19—Other Regional Review.

State Review

- 20—P & S Being Reviewed.
- 21—EIS Being Reviewed.
- 22—
- 23—
- 24—
- 25—
- 26—
- 27—
- 28—
- 29—Other State Review.

Site Problems

- 30—Regionalization Problems.
- 31—Problem with Related Wastewater Project.
- 32—Waiting for prior phase of project to be completed.
- 33—Coordinating Problems with Highway Work.
- 34—Coordinating Problems with Railway Work.
- 35—Coordinating Problems with Utility Work.
- 36—Right of Way Problems.
- 37—Sludge Disposal Problems.
- 38—
- 39—Other Site Problems.

Scope Problems

- 40—P & S Being Designed.
- 41—Increasing Size of Project.
- 42—Decreasing Size of Project.
- 43—Being Segmented.
- 44—Problems with Facilities Plan.
- 45—Problems with Regionalization Plan.
- 46—Problems with Industrial Waste.
- 47—
- 48—
- 49—Other Scope Problems.

Facilities Requirement Problems

- 50—Infiltration/Inflow Problems.
- 51—Industrial Cost Recovery Problems.
- 52—User Charge Problems.
- 53—

Facilities Requirement Problems—Continued

- 54—
- 55—
- 56—
- 57—
- 58—
- 59—Other Facilities Requirement Problems.

Environmental Problems

- 60—Environmental Assessment Problem.
- 61—Environmental Impact Statement.
- 62—
- 63—
- 64—
- 65—
- 66—
- 67—
- 68—
- 69—Other Environmental Problems.

Administrative Problems

- 70—Waiting for Bond Issue.
- 71—Waiting for Public Hearing.
- 72—EEO Problems.
- 73—Waiting for Construction Season.
- 74—Nonbiddable P & S.
- 75—Waiting for Meeting of Local Officials.
- 77—
- 78—
- 79—Other Administrative Problems.

Funding Problems

- 80—Problems in Obtaining Local Share.
- 81—Problems in Obtaining State Funds.
- 82—Problems in Obtaining Other Federal Program Funds.
- 83—
- 84—
- 85—
- 86—
- 87—
- 88—
- 89—

Withdrawal

- 90—Considering Withdrawal.
- 91—Being Withdrawn.
- 92—Withdrawal Being Appealed.
- 93—
- 94—
- 95—
- 96—
- 97—
- 98—
- 99—Withdrawn.

Code and Action

- 1—No Action Necessary.
- 2—Telephone or Letter contact with Engineer.
- 3—Telephone or Letter contact with Municipality.
- 4—Telephone or Letter contact with State.
- 5—Meeting with Engineer.
- 6—Meeting with Municipality.
- 7—Meeting with State.
- 8—Withdrawal Notice Sent.
- 9—Working on Withdrawal Appeal.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., April 30, 1975.

HON. JENNINGS RANDOLPH,
Chairman, Committee on Public Works, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your teletype of April 3, 1975, concerning funds available for construction. There are attached lists of projects showing funding available for each project, the estimated award date, and the estimated construction cost.

Attachment A contains a list of funded projects and a list of projects proposed for funding in Fiscal Year 1976. In addition, one project is listed which is fully approved by the Public Works Committees, and four projects are listed for which prospectuses are pending before the Public Works Committees. Of these four, East St. Louis has been approved by the House Public Works Committee. No funding for any of these projects has been made available.

Attachment B is a list of fully approved purchase contract projects which we are proceeding with.

The projects in our Fiscal Year 1976 Congressional submission should be considered unfunded at this point.

There is also \$250 million in alteration and major repair work which is unfunded, but which could be placed under contract within eighteen months if funding were made available. A list of this work is attached. No delays are anticipated for those funded projects listed. If appropriations become available, the unfunded projects listed could be placed under design contract within 60-90 days following Congressional action.

Because of recent Congressional interest and as a part of our routine review procedure, we have evaluated the effects of the administrative and statutory requirements necessary to place projects under contract. The results of this evaluation have led us to the determination that there is minimal delay attributable to these factors.

If I may be of further assistance please do not hesitate to call me.

Sincerely,

ARTHUR F. SAMPSON,
Administrator.

Enclosures.

ATTACHMENT A
GENERAL SERVICES ADMINISTRATION

	Estimated construction cost	Estimated award date
Obligational authority presently available:		
Arizona: Lukeville, BS.....	\$1,684,000	June 1975.
Colorado: Denver, FC Building No. 50.....	1,091,000	May 1975.
Denver, FC Building No. 85.....	1,558,000	June 1975.
Ohio: Dayton, FD No. 4 (c).....	1,034,600	Do.
Washington: Blaine, Pacific Highway, BS.....	2,715,000	Do.
Total, 5 projects.....	8,082,600	
Projects in fiscal year 1976 congressional budget submission:		
Alaska: 1 Alaska, Hwy. BS (residents).....	732,000	August 1975.
Haines, BS.....	2,290,000	August 1976.
Florida: Miami, CT FOB annex.....	11,642,000	November 1976.
Miami, MP VMF.....	967,000	June 1976.
Louisiana: New Orleans, CU (c).....	6,287,000	October 1975.
Texas: Laredo, BS ¹	9,985,000	January 1976.
Total, 6 projects.....	31,903,000	
Approved project, no funding available, Virginia: Norfolk FOB PF.....	11,996,000	June 1976.
Pending projects, no funding available:		
Maryland: Baltimore, Metro-West Building.....	80,140,000	
Woodlawn, Computer Center Building.....	58,945,000	
California: West Los Angeles, FBI parking.....	8,103,000	
Illinois: East St. Louis, CT FOB.....	4,180,400	
Total, 4 projects.....	151,368,400	

¹ Obligational authority presently available—included in fiscal year 1976 congressional budget submission for reauthorization of obligational authority.

ATTACHMENT B

ESTIMATED CONSTRUCTION COSTS OF APPROVED PURCHASE CONTRACT PROJECTS WITH SCHEDULED AWARD DATES

Project	Estimated construction cost	Estimated construction award date
Alaska:		
Anchorage CT FOB PF.....	¹ \$61,881,000	September 1975.
Fairbanks FOB PF.....	12,062,000	June 1975.
Connecticut: New Haven PO FOB.....	11,426,000	Do.
Florida: Fort Lauderdale CT FOB PF.....	15,398,000	October 1975.
Georgia: Atlanta CT FOB.....	² 24,212,000	June 1975.
Illinois: Carbondale FOB.....	3,448,000	December 1975.
Kansas: Topeka CT FOB PF.....	14,587,000	May 1975.
Massachusetts:		
New Bedford FOB.....	1,731,000	April 1975.
Pittsfield FOB.....	1,745,000	June 1976.
Michigan:		
Ann Arbor FOB.....	4,167,000	June 1975.
Saginaw FOB.....	4,126,000	April 1975.
Mississippi: Jackson FOB.....	21,080,000	October 1975.
South Carolina: Columbia FOB PF.....	20,223,000	Do.
South Dakota: Huron FOB.....	6,398,000	March 1976.
Texas: Marfa BPSH.....	1,505,000	April 1976.
Total, 15 projects.....	203,989,000	

¹ Cost escalation factors in Anchorage may require revised prospectus for this project. Currently being reviewed.

² Revised prospectus submitted to PWC's Apr. 10, 1975, to increase obligational authority to \$77,066,000. Revised construction cost estimate, \$67,334,000.

ALTERATION AND MAJOR REPAIRS, \$250,000,000 PROGRAM, LIST OF PROJECTS BY PROGRAM AREA OVER \$100,000

	Proposed, fiscal year 1976	Basic work to correct defect or maintain functions	Improve- ment of space use utilization	Special fire pre- vention, life safety, property protection	Special handi- capped	Special environ- mental protection measures	Special energy conser- vation measures	Description
ALABAMA								
Anniston, FB CT	\$161,300		\$116,500	\$9,000			\$35,800	New boilers, handicapped facilities, fire protection, space renovation.
Birmingham, FB CT	443,500		105,700				337,800	New windows, space renovation.
Gadsden, FB CT	150,500		150,500					Space renovation.
Monte, FB CT	436,400	\$44,800	391,600					Space modernization.
Montgomery, FB CT	257,600		141,100		\$44,800		71,700	Roof repairs, interior repairs, handicapped facilities.
Opelika, FB CT	312,700	109,800	179,200		23,700			Space renovation, general repairs, handicapped facilities.
Tuscaloosa, FB CT	223,600	71,700	134,400		17,500			Interior painting, space renovation, handicapped facilities.
ALASKA								
Anchorage, Alaska Mutual	116,500		116,500					Back-fill vacated space.
ARIZONA								
Phoenix, FB CT	836,100	46,100		338,200			551,800	Replace light fixtures, sprinklers, new freight elevator, power basement door, interior paint.
CALIFORNIA								
Los Angeles, CT	1,452,600	130,700		1,233,000			88,900	Piping, heat exchangers, cooling towers, sprinklers, emergency communications system.
Los Angeles, FB (6th St.)	331,500		331,500					Install central air-conditioning.
Los Angeles, FB (L.A.)	2,079,000		338,200	1,740,100				Initial space alterations, sprinklers, emergency, communications system, elevator fire safety.
Menlo Park, USGS	424,900		424,900					Install central air-conditioning buildings 1 and 2.
Sacramento, FB (Eye St.)	179,200		297,700	179,200				Fire subdivision.
Sacramento, FB (650 Cth)	912,800	260,400		324,700				Fire subdivision, emergency communications, replace switch-board and lights, upgrade courts 1, 2 and 3.
Sacramento, FB (Cottage W.)	143,200	140,700					2,500	Interior painting, exterior painting and caulking.
San Diego, BS	111,300					\$111,300		Improve drainage.
San Francisco, AS	1,432,400		221,000	936,300			275,100	Fire subdivision, emergency communications, fire protection, suspended ceilings, improved lighting.
San Francisco, CU	750,100	57,700	227,800	464,600				Repair windows and doors, new lights, ceilings and toilets, painting, improved fire safety.

ALTERATION AND MAJOR REPAIRS, \$250,000,000 PROGRAM, LIST OF PROJECTS BY PROGRAM AREA OVER \$100,000—Continued

	Proposed, fiscal year 1976	Basic work to correct deterioration and mal- functions	Improve- ment of space to promote utilization	Special fire pre- vention, life safety and property protection	Special aids for the handi- capped	Special environ- mental protection measures	Special energy conser- vation measures	Description
ILLINOIS								
Chicago, CV.....	\$742,000	\$238,900	\$238,600	\$239,600	-----	-----	\$24,900	Emergency generator, space alteration and modernization, improve firesafety, roof insulating and window repairs, elevator conversion, Elevator capture and emergency PA.
Chicago Railroad Retirement Bldg.....	116,800	-----	-----	116,800	-----	-----	-----	General repairs, painting, renovate elevator lobbies and cabs, boiler repairs, improve firesafety, convert No. 9 elevator.
Chicago, FB (536 S. Clark).....	1,272,300	196,800	173,700	345,300	-----	-----	556,500	General repairs, painting, renovate elevator lobbies and cabs, boiler repairs, improve firesafety, convert No. 9 elevator.
Chicago, Dirksen FB.....	1,062,200	157,900	535,900	304,400	-----	-----	64,000	Air-conditioning basement, improved air-conditioning controls exterior painting, rekey building, provide central controls for heating, construct new courtroom, cross-connect compressors.
Chicago, FB (1819 Pershing).....	254,200	17,200	86,000	151,000	-----	-----	-----	New dock doors, interior paint, elevator conversion, new stand- pipes, sprinklers.
Chicago, FSS Depot.....	131,900	131,900	-----	-----	-----	-----	-----	Road repairs.
INDIANA								
Indianapolis, FB CT.....	108,400	-----	35,800	72,600	-----	-----	-----	Elevator conversion and fire capture system, enclose stairwells, Roofing and insulation, replace windows to stop air leakage, fire alarm system.
Indianapolis, FC.....	271,500	-----	-----	156,800	-----	-----	-----	Roof repairs.
New Haven, FSS Depot.....	1,055,200	1,055,200	-----	55,000	-----	-----	-----	Elevator repairs, install panic hardware, repair lobby floor, carpet- ing, cleaning and painting, repair parapet flashing, elevator capture system fire alarm, convert postal space to general pur- pose office space, upgrade court facilities.
South Bend, PO CT.....	2,852,700	2,797,700	-----	-----	-----	-----	-----	-----
IOWA								
Des Moines, CT.....	191,700	58,200	-----	41,100	\$5,400	-----	87,000	Clean and weatherproof masonry, repair parking, elevator capture air-condition penthouse, replace windows to stop air leakage.
Ft. Dodge, FB PO CT.....	324,400	241,200	-----	69,800	-----	-----	13,400	Replace chiller, masonry repairs and weatherproofing, interior painting, elevator capture.
KENTUCKY								
Covington, IRS.....	252,300	-----	252,300	-----	-----	-----	-----	Space renovations.
Frankfort, FB.....	170,000	134,200	-----	-----	-----	-----	-----	Interior painting, handicapped facilities, air-conditioner alterations.
Louisville, FB.....	444,200	206,600	-----	237,600	35,800	-----	-----	Fire protection, mechanical alterations.

MAINE

Eustis, BS	112,000	112,000	201,600	75,300	26,100	Canopy alterations.
Portland, CU	334,200	31,200				Painting, air-conditioner, roof insulation repairs, replace floor covering, stairway rail restoration, firesafety wall.

MARYLAND

Silver Spring, Wms. Bldg.	121,000		109,000	12,000		Initial tenant alteration.
Silver Spring, Wiliste Bldg.	529,900		476,900	53,000		Do.
Silver Spring, Robin Bldg.	161,300		149,300	16,000		Do.

MASSACHUSETTS

Andover, IRS	358,400		268,800	46,600	358,400	Roof insulation.
Boston, AS	268,800					New passenger elevators.
Boston, CU	365,600	139,800		112,000	67,200	Interior paint, elevator firesafety, convert to purchased steam, toilet modernization.
Boston, JFK	806,400	358,400		268,000		Fire subdivision revolve condensate.
Boston, JW McCormack	1,283,400	644,000	156,800	482,800	179,200	Paint, emergency communications, fire doors, air-conditioning duct and fire control, handrails.
Higham, FSS Depot	559,200	451,000		108,200		Approach repairs, install siding, firewalls interior paint.
Springfield, FB CT	134,400			134,400		New stairwell, fire alarm system.
Worcester, FB	112,000				112,000	Replace roof and insulation.

MICHIGAN

Battle Creek, FC	1,004,800	467,700	451,000	75,300	10,800	Elevator conversion and capture system, sprinklers, painting and scaling, toilets for handicapped, piping repairs.
Detroit, FB CT	6,057,500	370,200	5,378,000	191,700	117,600	Replace roof and insulation, doors, steps and landings, sprinklers, emergency power, electric repairs.
Flint, FB CT	125,400		95,800		89,600	Replace windows to reduce air leakage, space modernization.
Port Huron, FB CT	125,400		125,400			Space modernization.
Sault Ste Marie, FB	577,300	577,300				Install new elevator, modernize space.

MINNESOTA

Minneapolis, FB CT	107,500			107,500		Emergency power and PA system, fire subdivision.
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MISSISSIPPI

Vicksburg, MRC	174,700	129,700			45,000	Roof repairs, and insulation, interior painting, plumbing repairs.
Vicksburg, PO CT	340,100		205,700	107,500	26,900	New fire stairs, handicapped facilities.

MISSOURI

Independence, Truman Library	388,900	249,000	16,200		29,200	Install drain tile, interior paint, replace roof and insulation, thermopane windows, carpeting, repairs to walks, curbs, and entrance.
Kansas City, FB (East 12th)	2,958,600	406,800	1,641,400	576,400	334,000	Repair roof and insulation, paint, carpet, space alteration and modernization, elevator capture, fire doors, window repairs (caulking).

ALTERATION AND MAJOR REPAIRS, \$250,000,000 PROGRAM, LIST OF PROJECTS BY PROGRAM AREA OVER \$100,000—Continued

Proposed, fiscal year 1976	Basic work to correct deterioration and mal- functions	Improve- ment of space to promote utilization	Special fire pre- vention, life safety and property protection	Special aids for the handi- capped	Special environ- mental protection measures	Special energy conser- vation measures	Description	
MISSOURI—Continued								
Kansas City, FB (1500 East Bannister) ..	\$9, 330, 700	\$5, 527, 800	\$793, 800	\$320, 800	-----	\$200, 300	\$2, 483, 000	Replace roof and insulation, install security fence, replace sewer pump station, improve fire safety, replace leaking water mains, replace obsolete circuit breakers, replace heating and cooling coils.
MONTANA								
Billings, FB CT	108, 700	91, 100	-----	12, 600	\$5, 000	-----	-----	Interior painting, handicapped doors, elevator fire capture.
Missoula, FB PO CT	283, 400	258, 300	-----	25, 100	-----	-----	-----	Lighting, parking, elevator fire capture.
Missoula, Ft. Missoula	172, 500	77, 700	-----	-----	94, 800	-----	-----	Interior painting, resurface parking, handicapped facilities.
NEBRASKA								
Omaha, FB PO CT	310, 900	198, 900	-----	-----	-----	-----	112, 000	Roof and insulation replacement, interior painting, masonry repairs.
NEW JERSEY								
Camden, PO CT	2, 798, 900	276, 300	1, 969, 300	525, 700	27, 600	-----	-----	Alteration and modernization of space, install air-conditioning, improve fire safety.
NEW YORK								
Albany, PO CT	1, 918, 600	655, 600	1, 078, 000	156, 000	29, 000	-----	-----	Modernize space, toilets, and elevators.
New York, FB CO CT	785, 600	420, 600	140, 000	225, 000	-----	-----	-----	Construct pistol range, interior painting, mechanical alterations.
New York, FB (201 Varick)	12, 815, 600	1, 604, 000	10, 983, 600	228, 000	-----	-----	-----	Install air-conditioning, new lighting and modernize space.
New York, FB (20 Wash)	930, 000	385, 000	475, 000	70, 000	-----	-----	-----	Modernize space and elevators, install air-conditioning, new floors, improve fire protection.
NORTH CAROLINA								
Asheville, FB	223, 900	80, 600	107, 500	-----	35, 800	-----	-----	Interior painting, space renovations, facilities for handicapped.
Asheville, PO CT	428, 700	267, 500	-----	-----	53, 700	-----	107, 500	Handicapped facilities, general repairs, install auxiliary air-conditioning to preclude use of central system for weekends and after hours.
Greensboro, FB	239, 600	96, 300	89, 600	-----	53, 700	-----	-----	Handicapped facilities, new entrance, interior paint, space renovations.
Greensboro, FB CT	443, 500	44, 800	114, 500	-----	44, 800	-----	239, 400	Install auxiliary air-conditioner, preclude use of central system on weekends, space alterations, interior paint, handicapped facilities.

Raleigh, FB (new)	238,000	134,400	49,900	53,700	Handicapped facilities, painting, space renovations.
Raleigh, FB (old)	259,700	170,100	89,600	89,600	Space alterations, handicapped facilities.
NORTH DAKOTA					
Minot, FB CT	118,600	10,100	108,500		Ceilings and lights, grading; upgrade court space, air-conditioner 15,000 ft ² .
OHIO					
Canton, FTB	113,600	42,000	55,600	16,000	Clean, point and seal masonry, replace elevator, caulk windows.
Cincinnati, PO CT	167,600	63,700	69,900	34,000	Repair floors, refrigeration room hoist, firesafety, central HVAC controls.
Columbus, FB CT	179,200	179,200			Repair roof, esplanade and retaining wall.
Toledo, FB	131,700		131,700		Fire subdivision and fire stops.
Warren, FSS Depot	669,000	669,000			Roof repairs.
OREGON					
Portland, CU	1,271,800	1,271,800			Restoration of building on National Historical Register.
Portland, FB	419,300	256,440	134,400	28,500	Masonry pointing and repairs, sprinklers and fire subdivision.
Portland, FB (new)	434,600		217,300	217,300	Provide central control for all protection, firesafety and equipment operation.
RHODE ISLAND					
Providence, JFF	179,200		179,200		Install air-conditioning.
Providence, FB CT	380,800			380,800	Replace windows.
Providence, FB PO	112,000		112,000		Install air-conditioning.
SOUTH CAROLINA					
Charleston, CU	268,800	268,800			Structural repairs.
Charleston, FB	107,500	71,700		35,800	Handicapped facilities, interior painting.
Charleston, PO CT	434,600	434,600			Structural repairs.
Columbia, Varo Bldg.	426,300	76,200	247,100	22,400	Space renovations, emergency power, handicapped facilities, fire protection, replace cooling tower, paint.
Greenville, FB CT	184,500		103,900	35,800	Roof and insulation, space renovation, handicapped facilities.
Spartanburg, FB CT	223,500		138,900	35,800	Space renovation, fire protection, facilities for the handicapped.
TENNESSEE					
Columbia, PO CT	170,000	49,300	111,800		Interior paint, plumbing, electrical & structural repairs.
Memphis, FB CT	425,600		425,600		Emergency power, fire protection for high-rise.
TEXAS					
Dallas, FB (1114 Commerce)	11,335,200	1,804,800	7,136,700	1,040,000	Modernize building and eliminate health and firesafety hazards and install more efficient electrical and air-conditioning system.

ALTERATION AND MAJOR REPAIRS, \$250,000,000 PROGRAM, LIST OF PROJECTS BY PROGRAM AREA OVER \$100,000—Continued

	Proposed, fiscal year 1976	Basic work to correct deterioration and mal- functions	Improve- ment of space to promote utilization	Special fire pre- vention, life safety and property protection	Special aids for the handi- capped	Special environ- mental protection measures	Special energy conser- vation measures	Description
UTAH								
Clearfield, FD	\$666,000	\$438,400		\$178,900			\$48,700	Firewalls, sprinklers and alarms, standpipe, roof repairs.
Ogden, FS	358,400	35,800	\$281,900	40,700				Fire doors and alarm, upgrade offices, interior painting, elevator capture.
Ogden, IRS	324,800	56,000				\$268,800		Interior painting, parking lot drainage.
Salt Lake City, AD Bldg.	190,300	105,800	8,700	75,800				Interior painting, replace combustible ceilings, sprinklers, roof and general repairs.
Salt Lake City, PO CT	388,800		310,500	60,400	\$17,900			Fire stair, doors and alarm, handicapped ramp, elevator capture, initial alterations.
WASHINGTON								
Auburn, GSA Center	394,200	394,200						Paving repairs, floor slab and roof repair.
Seattle, CT	313,600		313,600					Construct new jury facilities.
Seattle, FOB	1,274,500	372,500	586,300	315,700				Upgrade space and electrical system, improve firesafety.
Seattle, FB USDS/IMS	268,800		268,800					Backfill vacant space.
Seattle, FCS	626,900		275,100	351,800				Site improvements, firesafety, initial tenant alterations.
Seattle, FB (new)	525,100		224,000	301,100				Backfill vacant space.
Seattle, AT No. 7	134,400		134,400					Initial tenant alterations.
Spokane, CT	398,700			398,700				Sprinklers, central control panel.
WEST VIRGINIA								
Wheeling, FB CT	2,886,000	1,706,000	900,000	90,000			190,000	Space modernization, improve firesafety, upgrade HVAC and electrical systems.
WISCONSIN								
Milwaukee, FB CT	143,800	28,400		115,400				Emergency generator, fire subdivision, interior paint, sidewalk repairs.
WYOMING								
Casper, FB CT	146,400	54,900				10,800	80,700	Landscaping, convert heating system, paving repairs, painting.
Agriculture south	6,668,000	3,000,000	3,498,000	170,000				Firesafety improvements space modernization, upgrade air-conditioner distribution and electrical systems.

U.S. DEPARTMENT OF TRANSPORTATION,
FEDERAL HIGHWAY ADMINISTRATION,
Washington, D.C., May 5, 1975.

Hon. JENNINGS RANDOLPH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR RANDOLPH: The enclosed material is furnished in response to your request of April 3, 1975, in connection with legislation to stimulate employment soon to be considered by the Senate Public Works Committee.

Enclosed are the following:

1. Table showing the March 31, 1975 unobligated balances by State of Federal-aid highway funds apportioned or allocated.¹
 2. Table showing the status of FY 1975 obligation authority as of March 31, 1975. Obligations by State are also shown.¹
 3. Table showing amounts obligated for construction projects from July 1, 1974 to January 31, 1975, and the amount of these projects awarded to contract as of March 31, 1975.¹
 4. Tables showing the percentage of fiscal year apportionments obligated as of March 31, 1975.¹
 5. An "Analysis of Delays in Placing Work Under Contract."
- Please advise if we can be of further service to you.

Sincerely yours,

NORBERT T. TIEMANN,
Federal Highway Administrator.

ANALYSIS OF DELAYS IN PLACING WORK UNDER CONTRACT

A project which is completely designed, free of controversy, in full compliance with all Federal requirements, and for which the ROW is available can be taken from the "shelf" and placed under construction in about 3 months. The time consuming phase of a project is therefore the period from inception to completed design. This design phase on a normal Federal-aid highway project presently lasts anywhere from 2 to 10 years; on the average it takes about 6 or 7 years. Citizen involvement, environmental impact statements, relocation assistance, etc. are responsible for about 2 years of this 6 or 7 year long pipeline of planning, location studies, ROW acquisition and design.

A State's ability to place highway projects under construction at any given moment depends upon (1) the number of projects which have been completely designed and for which plans are on the shelf and (2) the number of projects which were started through the pipeline 6 or 7 years ago. Citizen participation and environmental impact statements can be built into the process of project development, and in the absence of controversy do not constitute a delay as such. It has been our experience that attempts to shortcut this process usually results in complications and confusion that may take longer to resolve than the normal process would have taken.

Fluctuations and uncertainties of funding can disrupt the steady flow of projects to contract. Over the long haul consistency of funding enables both the States and the contractors to efficiently and economically plan, organize and execute a construction program. Another source of delay over which the highway agency has no control is from the requirement for various permits from other Federal agencies. Although this is more of an interagency rather than legislative problem, this source of delay occurs often enough to warrant comment.

A boost of Federal funds in itself will not necessarily expedite public works construction. The State's design output may be unable to respond to the increased need for completed designs or the State's financial situation may not provide the required matching funds.

¹ Retained in committee files.

U.S. DEPARTMENT OF COMMERCE,
THE ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT,
Washington, D.C., May 6, 1975.

Hon. JENNINGS RANDOLPH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR RANDOLPH: The following information is provided in response to your telegram of April 4, 1975, requesting information on the current status of public works programs under the jurisdiction of the Economic Development Administration.

Fiscal year 1975 appropriated funds available for public works type projects are as follows:

\$156,200,000 for public works grants and loans as authorized by Titles I, II and IV of the Public Works and Economic Development Act.

\$13,000,000 in grants to States for supplemental and basic funding of Title I, II and IV activities as authorized by Section 304 of the Act. It is expected that most of these funds would be used for public works type projects.

\$38,750,000 in grants for economic adjustment assistance as authorized by Title IX of the Act. Adjustment grants may be used in several ways including public works.

\$125,000,000 in grants for the Title X Job Opportunities Program much of which would be used for public works activities. EDA's allocation of a portion of this appropriation has not yet been determined.

Table I, enclosed, provides you with a current status report on the commitment of these fiscal year 1975 funds. In addition to obligations, we have included reservations indicating amounts for approved projects which are waiting acceptance by the applicant or are in the final stages of processing.

Table II enclosed shows the volume and value of projects in the pre-construction and construction stages for those funds appropriated for public works activities under authority of Titles I, II and IV for 1975 and prior years. The table does not reflect any activity for Title IX, X, or Section 304 programs since these are new programs for which no construction activity has occurred.

Since the period between the availability of funds and receipt of applications varies widely from project to project we are not able to provide an estimate of that time. We have, however, records indicating that the average time lapse between receipt of project application by EDA's regional offices and a grant offer by the Assistant Secretary at the Economic Development Administration in Washington, D.C., is 60 to 90 days. Based on an analysis conducted March 18, 1975, of over 2,000 completed projects, the median time lapse between approval and actual construction of EDA projects is 337 days broken down as follows:

	<i>Number of days</i>
Approval (i.e. obligation of grant funds) to receipt of proposed contract documents (i.e. special conditions, technical specifications, work drawings, etc.) by EDA.....	212
Receipt of proposed contract documents by EDA to construction bid opening	18
Approval of proposed contract documents by EDA to construction bid opening	39
Bid opening to contract award.....	36
Contract award to start of construction.....	32
Total	337

Over the years, EDA has been concerned with the long interval between approval and start of construction. As shown above, the largest delay occurs between EDA approval of the application and the completion of design. This is due to the EDA policy of approving design concepts for purposes of making

a grant to an applicant rather than completed designs for those communities which, because of funding difficulties, cannot afford the cost of completed designs for projects which may ultimately, not be funded for one reason or another. (The time involved in the the examination and approval of the final contract documents by EDA is relatively small.) There are, of course, other problems which can delay a project from reaching the construction stage. A number of surveys have been conducted to determine the causes for these delays. Problem areas, in order to approximate decreasing magnitude, have been found to be:

1. Assuring the grantee's share of project costs on hand as needed.
2. Arranging to have the grantee's interim financing (short term financing to cover costs between EDA disbursements) on hand as needed.
3. Change in design concept after approval.
4. Grantee's inexperience with large projects.
5. Other priority work by the grantee, his designer, and/or his attorney.
6. Land acquisition. As with designs, necessary land easements and rights-of-way are normally acquired after project approval has assured the availability of funds.
7. Approvals by other agencies. This involves approvals by other Federal agencies which may also be providing funds, and approvals by State and local authorities having jurisdiction over new construction.
8. Other projects related to the approved project. An example is a project for a sewage collection system which has to wait on an EPA funded treatment plant.
9. Meeting Federal or local ordinance requirements (often legislated or changed after project approval) such as:
 - a. Environmental protection clause.
 - b. Historical preservation determinations.
 - c. Clean air policies.
 - d. Flood hazard protection.
 - e. Relocation assistance for displaced persons, farms, or business.
 - f. Civil rights protection.
10. Local citizen opposition.

With respect to speeding up the process, we are continuously looking for ways to shorten the project processing and contract award process.

I hope this information will be helpful to you. I will be glad to answer any further questions you may have.

Sincerely,

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

[Enclosures.]

TABLE I.—STATUS OF FEDERAL FUNDS AVAILABLE TO THE ECONOMIC DEVELOPMENT ADMINISTRATION AS OF
MAR. 31, 1975
[In thousands]

	Authority appropriation	Obligation as of Mar. 31, 1975	Total reservation Mar. 31, 1975	Balance of appropriation
Public works	\$156,200	\$36,211	\$69,890	\$86,310
Grants to States	13,000	10,912	13,000	
Economic adjustment	38,750		330	38,420
Total	207,950	47,123	83,220	124,730
				Number Amount
Additional projects in processing (as of Mar. 28, 1975):				
Public works			199	\$97,406
Grants to States			0	0
Economic adjustment			0	0
Total			199	97,406

TABLE II.—STATUS OF EDA PROJECTS IN PRECONSTRUCTION AND CONSTRUCTION STAGE, APPROVED IN FISCAL YEAR 1975 AND PRIOR YEARS (AS OF MAR. 18, 1975)

	Number of projects in preconstruction stage ¹	EDA participation in projects in preconstruction stage	Number of projects under construction	EDA participation in projects in construction stage
Public works regular.....	242	\$364, 228, 000	383	\$507, 220, 000 ¹
Public works supplemental funding to other agencies.....	19	39, 585, 000	89	120, 749, 000
PWIP regular.....	56	20, 761, 000	159	67, 262, 000
PWIP supplemental funding to other agencies.....	1	205, 000	6	6, 921, 000
Disaster (Hurricane Agnes).....	5	4, 068, 000	12	10, 553, 000
Total.....	323	428, 847, 000	649	712, 705, 000

¹ Preconstruction stage is defined as that period between acceptance of the grant offer and the beginning of actual construction.

[Whereupon, at 12:30 p.m., the subcommittee recessed, to reconvene at 2 p.m. the same day.]

AFTER RECESS

[The subcommittee reconvened at 2 p.m., Senator Joseph M. Montoya, chairman of the subcommittee, presiding.]

Senator MONTOKA. The subcommittee will be in order.

Our first witness this afternoon will be Hon. Nicholas Panuzio, mayor of Bridgeport, Conn., representing the U.S. Conference of Mayors, the National League of Cities, and Council for Urban Economic Development.

STATEMENT OF HON. NICHOLAS PANUZIO, MAYOR, BRIDGEPORT, CONN., REPRESENTING THE NATIONAL LEAGUE OF CITIES, U.S. CONFERENCE OF MAYORS, AND COUNCIL FOR URBAN ECONOMIC DEVELOPMENT

Senator MONTOKA. Mr. Panuzio, I want to thank you for being so patient with us this morning and assure you we had no other choice, but hope we have not inconvenienced you. You may proceed, sir, to present your statement.

Mayor PANUZIO. The National League of Cities consists of, and is the national spokesman for, approximately 15,000 municipal governments in all 50 States and Puerto Rico. The U.S. Conference of Mayors comprises virtually all cities with a population over 30,000. Member cities are represented by their elected chief executives, the mayors.

Cities have appreciated the leadership and diligent work of the Senate Committee on Public Works. We have been pleased to work with the committee over the years on transportation legislation, water pollution control measures, and economic development legislation.

Senators, the economic conditions of our cities are intolerable. Since January of this year, the improvement of urban economic conditions has been the only priority of both organizations. Mayors and local elected officials have come before this Congress on innumerable occasions in every conceivable forum and with increasing rapidity stating

one clear fact: The combined forces of inflation and recession have taken and continue to take a devastating toll on our Nation's urban centers. In fact, mayors from a number of the Nation's large urban centers have met twice in the last 2 weeks with the leadership of the Senate on this issue. We are encouraged at the responses thus far.

As you are all well aware, State and local governments must by law balance their budgets. Faced with this task, in today's economic conditions, the daily agenda in more and more city halls has become the unpalatable choices of increasing taxes, laying off personnel, decreasing public services, or delaying sorely needed capital improvements.

The irony of it all, of course, is that the more we succeed in the achievement of a balanced city budget, by either raising local taxes or laying off local governmental personnel, the more counterproductive we are to the national need to stimulate the economy through decreased taxes and increased employment.

We even face the almost bizarre situation of receiving national public service jobs funds to provide temporary city government employment for currently unemployed persons locally, on the one hand, while reducing experienced permanent civil service workers, on the other.

You are aware of the horror stories. In Detroit, nearly one of four workers is unemployed. Between layoffs and budget cuts, a total of about 3,500 of the city's 22,000 full-time employees will be dropped.

New York City is laying off something like 14,000 public employees, with more cuts anticipated. Cleveland has laid off 1,100 workers so far.

New Britain, Conn., has put half of its employees on a 4-day week. In Newark, 700 city employees plus 1,600 school employees have been laid off so far. By July 1, in Buffalo, there will be a minimum of 293 and a maximum of 1,500 employees laid off. And I could go on. However, the depth of the problem is not as clearly recognized.

We have reached the point where the recession appears to be feeding upon itself, and this is particularly evident from our perspective in local government. As economic activity declines and unemployment rises, greater and greater demands are being placed on the public sector and especially upon local governments. At the time that public demands are increasing, our fiscal capacity is declining. This was vividly documented in a recently conducted NLC survey of 67 cities.

To summarize the results of the survey briefly:

The 55 cities that provided data of fuel costs reported an average rise of 90 percent from 1973-74;

Thirty-six cities reported that the economy was forcing postponements of planned capital improvements;

Twenty-one cities reported municipal job layoffs or freezes;

Forty-three cities anticipated revenue shortfalls in 1975; and

Forty-two cities expected to raise taxes and/or cut services during 1975.

The recent study conducted by the Joint Economic Committee and released by Congressman William Moorhead on May 7 of this year validates these findings. According to the committee, State and local governments have lost over \$20 billion in revenues this year due to the recession. This has obviously precipitated significant budget adjustments by local government. Cities will enact an estimated \$1.5 bil-

lion in new taxes and will reduce expenditures by approximately \$1.4 billion. That is a total of approximately \$3 billion being taken out of the economy by local government, alone, right in the middle of the worst recession since World War II.

As a result of the three basic problems, shortfall in operating capacity; personnel layoffs; and delay in capital improvements, the National League of Cities and the U.S. Conference of Mayors have been supporting a three-pronged strategy of emergency relief measures whose passage along with the immediate enactment of the general revenue sharing program is indispensable to the economic recovery of the Nation's cities.

Because these three effects represent a comprehensive strategy in purpose and effect, I should like to highlight briefly the other two before addressing the economic development legislation pending before this subcommittee.

The first part of our emergency program is fiscal assistance to local government. In the Senate, this is represented by S. 1359, the Intergovernmental Countercyclical Fiscal Assistance Act, sponsored by Senators Muskie, Humphrey, Brock, and Mondale.

This measure would provide approximately \$5 billion of targeted antirecessionary assistance to hard-pressed State and local governments. The purpose of the measure is to help such governments maintain their existing levels of services and unemployment without raising taxes, thereby preventing them from undercutting Federal efforts to stimulate the economy.

The level of funding would fluctuate with the national unemployment rate. Only those cities and States with unemployment rates at or above the national average would receive assistance. Moneys would be turned off as the economy improves, that is, as unemployment declines.

The concept of emergency fiscal assistance to local government has been endorsed by the congressional budget committees and hearings have been held in the Senate by the Subcommittee on Intergovernmental Relations.

Comparable measures have been introduced in the House by Congressman Moorhead and Congressman Ford and have been referred to the Committee on Government Operations for consideration.

Failure to enact this legislation undermines the broader Federal efforts to restore economic vitality. As stated previously, local governments are now being forced to raise taxes or reduce services, while Federal policy seeks to stimulate the private sector through tax deductions and to reduce unemployment through government action. That is why we support a program of countercyclical assistance, an emergency program whose life would be determined by unemployment rates and economic conditions.

Second, we urge expansion of the Comprehensive Employment and Training Act, accompanied by language clarifying the maintenance of effort provisions to give a measure of flexibility to local governments.

We need authority under this act to hire supervisory personnel above the current Federal ceiling; and, we need deescalation language, which would prevent immediate cutoff of Federal public employment funds as the economy returns to acceptable levels.

Finally, I repeat the support of the cities for the local public works activity which is the subject of this hearing. As I understand it, there are two bills being considered by this committee. In the House, we testified in full support of H.R. 5247, Local Public Works Capital Development and Investment Act of 1975. However, for purposes of this hearing, let me address the necessary elements of any emergency relief measure which addresses rehiring and stimulation of the construction industry.

Mr. Chairman, as I read S. 1587, you are seeking to address two key problems which presently exist in cities as well as other geographical sections of America—an eroding economic base, coupled with substantial and growing levels of unemployment caused by the national recession.

And you have sought to deal with these problems by proposing to stimulate employment opportunities by means of a variety of economic development activities. Because cities have been experiencing a steady erosion of their economic and job-producing capacity over at least the past 15 years—prompted in large part by Federal policies, which encouraged the flight of industry, commerce, and middle-class residents—they now are all the more severely impacted by the current national recession.

For that reason, it makes sense to stimulate employment through economic development in order to achieve the dual objective of jobs in the short term and urban economic health in the long term.

Many of your proposals such as the interest subsidy, the cost overrun fund, and an expanded authorization for the title IX economic adjustment program, have real merit and, I think, warrant careful exploration when this subcommittee begins to consider the extension of the Public Works and Economic Development Act which I understand is due to begin this summer or fall.

However, in the context of an antirecessionary vehicle, it is my judgment and that of many of my colleagues that the emphasis should be placed upon a major public works program which moves large sums of Federal dollars to localities quickly.

Unlike most other Federal antirecessionary programs now under consideration, such a public works program would relieve the staggering and long-term unemployment in the construction industry and assist communities to meet essential capital needs that in many cases have been delayed or even abandoned for lack of local revenues and the impossible prospect of securing funds through the bond market.

Further, I suggest that in narrowing the programmatic focus to public works, it is not necessary to abandon your dual objective of stimulating employment and strengthening local economics.

The kind of public works program I am suggesting would have the following characteristics:

1. A minimum appropriation level for fiscal year 1976 of between \$2 and \$3 billion.

2. An administrative mechanism designed to speed the funds to recipients to get the capital projects underway quickly. For this reason, I suggest that the public works program not be administered under title I or title X of the existing Public Works and Economic Development Act.

EDA, however, should properly be the responsible Federal agency. Administrative procedures under either of those existing programs

are too cumbersome to meet the requirements for speed that are now so urgent.

Leadtime on a title I grant is generally at least 1 year, and grants under title X have not yet been made 6 months after enactment in spite of Congress clearly stated intent that the executive branch move the job opportunities program with dispatch.

Furthermore, title X as presently enacted does not permit sufficient initiative and decisionmaking at the local level. I appreciate that title X was passed on the theory that many projects were in the Federal pipeline and that with the allocation of some extra Federal funds they could be identified and thereby speed up and expand their impact on the unemployment situation.

That theory may or may not have been correct, but in either case \$125 million has already been appropriated and another \$375 million may well soon be appropriated to clean out that pipeline. I think that is enough. In the interest of speed, the initiative should be placed at the local level. The Federal agency survey and the requirement that projects conform to existing Federal programs be abandoned.

3. To meet the stated objectives of the program, I urge that the funds be targeted to high unemployment areas regardless of their present eligibility under EDA or CETA and that the legislation specifically indicate that at least 60 percent of the funds be used to support projects in urban areas where unemployment is concentrated both numerically and proportionately.

I should point out that the title X legislation mandated an equitable distribution of funds * * * between rural and urban areas. EDA subsequently stated their interpretation of this to mean a 60-40 urban-rural split. There is, however, no evidence to date which indicates they will abide by this guideline and so it should be specifically legislated.

4. The legislative focus on public works does not require that the dual objectives of stimulating employment and strengthening local economies be abandoned. Most communities have numerous capital projects that could be undertaken quickly.

Some of these are more oriented toward ultimate stimulation of the local private economy than others. For example, building a fire station would likely provide as many construction jobs as expanding the turn-around radii of roads in an industrial section of the city, but in the long run, the fire station would not have the same potential for strengthening the local economy as the road-widening project.

If the legislation indicated that preference be given to public works projects which promote the ultimate purpose of expanding permanent private sector employment, the dual objectives of S. 1587 could be maintained.

I strongly suspect that most or all of these legislative objectives could be achieved by revising and increasing the authorization for title X.

5. As I have indicated earlier in my statement, any and all measures which can be taken to insure the prompt implementation of the program objectives should be undertaken.

However, on the issue of mechanical efficiency, I would add this caveat. While we support accelerated public works as one solution to the Nation's economic woes, we remain similarly steadfast in our support for national environmental goals. It is our firm conviction that

the requirements imposed by the National Environmental Policy Act and other environmental related statutes do not have to be relaxed in order to spur economic development. We would suggest rather that what is needed in regard to NEPA is:

One: A streamlining of existing administrative procedures brought about by review of existing Federal agency implementing regulations.

Two: Immediate commitment of Federal funds to localities to aid them in the expeditious yet "adequate" preparation of environmental impact statement reviews for all requisite projects.

Three: Language in this legislation which would urge substantial sums of project dollars to be spent on rehabilitation projects in existing urban areas where environmental impact statement reviews are easier to perform, less likely to face opposition from environmental and other special interest groups, and least susceptible to prolonged litigation.

In conclusion, let me say that the proposal you have under consideration today has our support as one major component of a Federal economic recovery program. Combined with immediate reenactment of general revenue sharing, passage of the Intergovernmental Countercyclical Assistance Act, and expansion of the public service employment programs the Local Public Works Capital Development and Investment Act of 1975 promises to provide substantial relief to the Nation's cities and to the overall economic consideration of the United States.

We hope that the committee will move decisively in the upcoming weeks to insure speedy enactment of this legislation.

Senator MONTÓYA. A lot of the general revenue sharing has been used for raises of municipal employment. Would you say that?

Mayor PANUZIO. No question about it.

Senator MONTÓYA. Of course there is a discretion under the Revenue Sharing Act they could use it for the jobs program, public service jobs program. This discretion has not been too widely used by the cities. It is discretionary with the cities.

Mayor PANUZIO. It depends upon the area. We have employed some 600 people, as I said. Unfortunately, we have got this situation of laying people off at the same time we are trying to hire people for public service jobs.

This makes it most difficult to work with the unions, as well as others. We believe your program is a sound one and as I say, one-third of the total package that the U.S. Council of Mayors and National League of Cities has been supporting.

Senator MONTÓYA. What is the unemployment in Connecticut?

Mayor PANUZIO. In Bridgeport it is approaching 13.5 percent. The overall State is a little bit above 8 percent.

Senator MONTÓYA. Now, if you had to make a choice between a public works approach or an antirecessionary revenue sharing bill, which would be best for Bridgeport?

Mayor PANUZIO. I don't want to make that choice. I think they are two separate problems.

Senator MONTÓYA. You mean both would be problems?

Mayor PANUZIO. Yes, unless we got money for both, then it would not be a problem. One points to a major unemployment area, to the construction industry in our city it is probably ranging around 30 percent.

Our laborers union, out of 1,400 employees, has 250 presently working. So public works projects appeals directly to that and also helps cities in the long run in terms of capital programs. It directly relates to the construction industry.

Senator MONTROYA. In view of the statement that you made that some of the cities are going to reduce many of their employees, if we just gave the cities a block grant under the revenue-sharing concept, is it your feeling this money would not be spent for public works, but rather to retain the employees they have on line?

Mayor PANUZIO. No question in my mind. It would just be used to maintain the services and employees they have.

Senator MONTROYA. It is better to have the Congress speak out and say what the money should be spent for. Would you say the Conference of Mayors endorses that kind of a stipulation and definitiveness on the part of the Congress?

Mayor PANUZIO. Very much so. The Conference of Mayors on both of those issues has hoped and supported both the bloc grant, general revenue sharing, as well as the public works program.

Senator MONTROYA. What other kinds of improvements are being delayed because of shortfalls in revenue?

Mayor PANUZIO. We are delaying the construction of some schools in our own insurance. We are delaying the rehabilitation of an old railroad station. We are holding back on massive sewage projects because of the local share involved. We have held back on building a new firehouse in the north end of the city.

What we are doing is leaping from year to year in the hopes these things are not going to catch up with us. Sooner or later they are. Particularly in older cities—Bridgeport has 17 square miles, 160,000 people, and many, many old factories—not a lot of open space for people to come in. Most of our areas have been in an attempt to rebuild an old city. If we don't do that, the city will die.

Senator MONTROYA. Do you agree with the Administration that the deficits this year can impede recovery by sopping up capital for Federal financing rather than keeping it available for the private sector?

Mayor PANUZIO. I have to agree to a reasonable degree. I also have to agree unless something is immediately done to deal with the crisis in the cities, with the employment problems. We will not have to wait for a year or two.

I am going to run out of money the third week in June. There are a number of cities across the country in the same boat.

Senator MONTROYA. Do you think in light of the 9-percent unemployment in this country that we can agree with the statement of the Under Secretary of Commerce that perhaps it would be advisable for the forces within the economy to undertake corrective action and provide employment?

Mayor PANUZIO. No. I think we have to move those forces along.

Senator MONTROYA. You think we have to be positive in trying to create employment for those unemployed, rather than depend on the forces within the economy?

Mayor PANUZIO. I think there is a certain amount of depending on forces, but I think they have to be pushed a little bit.

Senator MONTROYA. You have to have a catalyst of positive action?

Mayor PANUZIO. Without question, that is what you do with this bill.

Senator MONTORA. You praise the public service employment approach. Do you think that it is enough? I hear many complaints about it.

Mayor PANUZIO. I think the complaints are unfortunately misguided in the sense that the Employment Act was a whole series of questions. Unfortunately, most of the complaints are dealing just with public employment.

They are not talking about the training part of the act or several other things. The reason they are complaining about it is just because of the fact that cities at the same time are laying people off.

Nobody objects to the fact of putting to work in our city all of these people to do some public employment jobs that would not have been done in the past, but they object to laying off civil servants who have been with the city for a long period of time.

Everybody talks about the public employment being the major part of the CETA Act. Everybody says CETA is causing the problem. I can lay off all 600 people from CETA, take no more money, and still have to lay off over 500 people.

Senator MONTORA. Why do you have to do that?

Mayor PANUZIO. If I lay off the CETA people, that doesn't help me with my own budget. CETA people are not able to in effect replace a public employee. So there is no way that I can lay off a nurse in a hospital and turn around and hire a nurse under CETA.

Senator MONTORA. If you don't have the CETA people, would you need more employees?

Mayor PANUZIO. No, because of the effect of the Department of Labor requirements, I am not able to substitute CETA employees for regular employees. They can only be additional ones in areas where we have not had employees.

Senator MONTORA. Do I understand you to say that the CETA program is just a training program which does not take up the slack in performance of work?

Mayor PANUZIO. Yes. CETA program is an immediate area to provide job opportunities for the unemployed who have been unemployed for some length of time by putting them to work in city jobs. It does not help the cities in terms of picking up the employed or the people they will have to lay off, or it does not help us at all with our own budget.

In fact, it causes us a great deal of trouble. I think I spend more time in the courts than I do anywhere else, trying to prove we can lay people off. CETA just throws in a complication.

I hope nobody in the Congress loses sight of the fact that CETA is a cold program and it in effect still does help by providing job opportunities for people who are unemployed. It is a good program. Even though once in awhile we get disinterested because we find ourselves in a conflict in laying our people off; I hope people don't turn around and say that is a bad program, get rid of it. It is a good program that needs changes.

Senator MONTORA. The House just passed the public works bill by a vote of 312 to 86.

Mayor PANUZIO. That is great. That is wonderful.

Senator MONTORA. It is a \$5 billion bill. Here we have been debating with the administration on the propriety of \$1,875,000,000. Anyway,

do you think many existing jobs would be saved if working capital were available at lower rates?

Mayor PANUZIO. I don't profess to be an expert in that area. It would seem to me that we obviously would stimulate a great deal more of the economy of the private sector.

Senator MONTAYA. Do businesses in your city need working capital at reduced rates?

Mayor PANUZIO. Yes.

Senator MONTAYA. Is there a Federal responsibility to help in this regard? What is your feeling on that?

Mayor PANUZIO. Well, yes; I think so. But I really don't want to—I think there is some degree of private stimulus that must take place in that area. It cannot be totally affected by the Federal Government. So while I think the rates are very much important to stimulate the economy, I don't think it is a matter the Federal Government should spend a great deal of their time on.

Senator MONTAYA. Gentlemen, do you have any questions?

Senator McCLURE. I have just a few.

Mayor, I recognize the problem that many, many citizens and local governments are having. I don't know what your tax system is in Connecticut, but I assume that it is similar to most city tax bases.

Mayor PANUZIO. We can only tax on property. We have no other tax.

Senator McCLURE. There is a time lag between levying taxes and the collection of taxes?

Mayor PANUZIO. Not only that, but we are running about 5 percent behind what we collected last year. Last year we collected 97 percent of our taxes; this year we are running about 92 percent.

Senator McCLURE. There is, under most State laws, a period of time in which taxes can be delinquent on real estate without an unbearable penalty to the taxpayer; but during that same period of time, the local taxing unit has 100-percent loss of that income?

Mayor PANUZIO. That is exactly right. In Connecticut, we can't even borrow against that unless we repay it within the same year in which we borrow it. So, for instance, where I might be running out of money the last week in June, I can't borrow money in June unless I can pay it back by June 30.

Senator McCLURE. Your fiscal year ends June 30?

Mayor PANUZIO. That is right.

Senator McCLURE. I started out my public career, if that is the way to say it, as a county attorney and shortly after that, as city attorney for some 13 years. I am familiar with the problems cities have. I recognize the bind that you are caught in, between State law and local ordinances, as far as your finances are concerned. I also served in the State legislature where we tried to work some of those problems out and made some progress, but not a great deal.

You indicated that you would like to see some increase in block grants or revenue sharing from the Federal Government to the cities without strings attached so the cities can use it in whatever priority the city itself has set. You also indicated that CETA is a good program, but doesn't really address itself to the city's problem. It helps the people within the city, but not the city itself.

You have also indicated that you would like to see an expansion of public works projects. While I recognize you don't like to make

choices, neither do we. If you had to make a choice between those three things that you have identified as being appropriate and desirable, which one would you put first?

Mayor PANUZIO. I would have to say from the city's standpoint of countercyclical health, direct allocation would be an immediate thing. I would have to say that very, very close behind it would be public works. The great advantage to me of public works projects is that it not only provides an immediate stimulus, but it is a long-range thing if it is done effectively. Those two would be my preferences. Obviously, CETA would come third.

Senator McCLURE. That is from the city's standpoint. If you were sitting up here—

Mayor PANUZIO. I would look at public works first.

Senator McCLURE. What would you put second, CETA or revenue sharing?

Mayor PANUZIO. No, countercyclical. CETA would have to be last.

Senator DOMENICI. When you speak of CETA last, you are speaking of the emergency public employment?

Mayor PANUZIO. Yes.

Senator DOMENICI. Not the manpower training?

Mayor PANUZIO. That is right. I am talking strictly of title VI and title II.

Senator McCLURE. I appreciate that. That was the sense in which I was asking my question, because we have to make those assignments of priority, whether we like to or not.

You indicated the same distress the members of this committee have felt about the lag in getting from an appropriation to expenditure of this money. I would invite the conference of mayors to look at the letter which is now a part of the record here that identifies the time periods that are involved and try to identify for us the areas in which the time lag could be cut.

Mayor PANUZIO. We would very much like to. I tried to follow that this morning in the discussion, but we would like to get a copy of it. We could give your staff people some information on that.

Senator MONTAYA. If you will permit me to interrupt here, would you submit a supplementary statement as to what you think might be done by the Administration to expedite consideration of these projects?

Mayor PANUZIO. We sure will.

[The information requested had not been received at time of publication.]

Senator McCLURE. I recognize we all want it done very quickly. Every time we try to do it very quickly, something happens and there is some money wasted or somebody gets away with some or it is thought later the money was expended in a way not in conformity with the law, and everybody says why did they let that happen. So we set up a lot of cross-collection to make certain the law is complied with.

Mayor PANUZIO. Some of the problems we have is that if we don't do it in a fairly orderly fashion within the timetable we can live with, we find tremendous disruption back home. We have commented on that with regard to general revenue sharing. They say we don't have to act on general revenue by this year.

If I don't know by January of 1976 whether the general revenue sharing will be renewed, I can't include any more than half the year

of general revenue sharing money in my budget. That throws us into total chaos. Some of these things have tremendous effect on the local communities.

Senator McCCLURE. What would happen to you if I assume you make your budget in advance and you will have a new budget starting July 1. Assuming Congress doesn't get all of its work done by July 1, which I think is a pretty safe assumption, then in September, we come up with a new program that puts more money into your budget, does that mean it is difficult for you to use it before July 1, of next year?

Mayor PANUZIO. It is extremely difficult to use it. We can go back to our board of taxation and undo it. It will not affect the 580 people I lay off on July 1, it will not affect the tax rate I increased, effective July 1, and probably will not affect very much the unemployment rate as it is caused by the city's cuts and services. It might help us restore some of the services.

Senator McCCLURE. It is difficult for you to change the budget after the beginning of the fiscal year?

Mayor PANUZIO. That is right.

Senator McCCLURE. There is no way we can tell you now what Congress is going to do before the end of this session of Congress. It seems like then you have built into the mechanics of the procedure a delay until July 1, of next year on the majority of it.

Mayor PANUZIO. On some of the areas, we have very little choice. We don't have the opportunity to plan deficits or to assume deficits. We just have one way of doing it. So our approach to this, and my budget will be put together within the next 2 or 3 weeks, is I run with a 10- or 11-percent increase in layoffs and so on, assuming nothing is going to happen.

If it happens, adjustments and rehiring and some of the other things might take place. Some services might be restored. Unless I plan it so I can protect the city's interests, we will all find ourselves in the same kind of situation New York is in. They keep borrowing against next year's pay, and they never catch up.

Senator McCCLURE. I suppose it is possible under some statutes for you to budget more than you actually expect to get by overestimating receipts, but there are limits on that.

Mayor PANUZIO. Very much so.

Senator McCCLURE. And then keeping your expenditures down to the actual level of receipts, keeps you from getting into the box some others are getting into.

Mayor PANUZIO. There are limits with even that. You can just take so many chances with regard to the revenue side of the picture. I happen to believe we are going to have—I am budgeting fairly—collection of 95 percent, which is a little bit above what my controller told me it should be when we are collecting 92 percent of my taxes now. I believe by January of next year, people are going to be going to work and we will collect the taxes we should be.

Senator McCCLURE. Are there any projects in your area which are ready to go, but which you cannot reach because you cannot raise the local match?

Mayor PANUZIO. Sure. I have several.

Senator McCCLURE. Has the National League of Cities' National Conference of Mayors attempted to put a figure on this, or to identify these across the Nation?

Mayor PANUZIO. No, we have not. It is up to EDA to put together a package of some 18 projects they are ready to go. I daresay the financial situations we find ourselves in, we don't have the local share to put in the local 10 or 20 percent.

Senator McCURE. Do you have a backlog of projects in which you had financing arranged, but because of inflation the financing fell just slightly short of being sufficient for the project?

Mayor PANUZIO. Not specifically every day, but we have at least 2 housing projects, rehabilitation programs for housing for some 300 units, plus we have 2 day care centers which have been put aside because of that.

Senator McCURE. Can you give figures on that?

Mayor PANUZIO. Two day care centers would run a little over \$1,475,000, and a little over \$2 million on the housing projects. The financing on the housing project, unfortunately, took us a year and a half. They went through three programs in HUD. It is now back to section A. It went through 236, section 23, and is now at section A. We think we have it licked under section A.

Senator McCURE. Are there some in which there is an incremental amount of money to make up that small shortfall and would move the project forward?

Mayor PANUZIO. Not in my particular area, but I am sure across the country.

Senator McCURE. Has the Conference of Mayors attempted to identify such projects across the country?

Mayor PANUZIO. No, but it is something we would be willing to try to do.

Senator McCURE. That is one of the thrusts under title X, to identify those under which a small infusion of capital, Federal capital, would knock loose the Federal money, State money, local money, and in some cases, private capital that would have a much larger potential for creating jobs than just a public works project.

It would be helpful to us if you would identify some such projects, because we are having continuing dialog with the administration, as you noticed this morning. I think we have a number of officials down there who are willing to work with us on this particular matter, and we also had some resistance in some other quarters within the administration.

We would like to be able to present them with some concrete figures of what can be done. I commend the Secretary of Commerce with moving ahead on title X since the Congress spoke financially on the recession in early April of this year, but I think that they may not have asked the mayors and the county commissioners and the State officials across this country to identify properly those things that might have the greatest job effectiveness in terms of the Federal expenditure.

Mayor PANUZIO. We can take a look at it and see what we have.

Senator McCURE. It would be really helpful to us.

One of the things that concerns me, just as you mentioned, the difficulty of phasing these Federal moneys into your budgets is the question of phasing out at the other end if there is economic recovery, and we begin to run into that phenomenon which economists described as crowding out in the money markets. It would be equally easy for you to lose money?

Mayor PANUZIO. It would. The countercyclical approach gives us some leverage in the sense that the determination on whether the funds would come to the local community would be based on what the unemployment rate is in the area for a certain 3-month period of time. It would be a phasedown, not a quick shutoff at the spout, so to speak.

There is some concern on the part of the cities—and we have voiced that with regard to the public employment section of the Training Act—where we think after 1 year or so many years, maybe 2 years now, people will automatically be dumped on the market. There has to be some decrease there and some phasing out and some money put into that program that would enable us to develop employment programs.

We are trying very hard to use some of the up-front money in the manpower training area to attract people through not only a training program, but into direct employment. We have been developing a couple of programs with major manufacturers in an attempt that the program not only does the training up front for the manufacturer, but they guarantee a job at the other end.

A lot more has to be done in that type of thinking. If you increase a big pile of jobs, you can do that with 500 or 600 people. If you double that or triple it, in order to meet the immediate unemployment situation, you are going to have to do something about phasing down. That will be hard to do on a large scale.

Senator McCCLURE. Looking at the public works side of what we are thinking, I tend to agree we should build public works that has a lasting economic value, rather than putting it into other thing that are simply payroll, that once that paycheck is delivered, it has no lasting effect in the community except the ripple effects throughout the community.

If we get involved in a large amount of public works which the cities have to gear in with their own public works projects, we don't do that before July 1, you are not in a position really to do much with that during that fiscal year with the local matching share?

Mayor PANUZIO. Public works projects, I think we can take on in most any interval of time. I will not have difficulty phasing in a capital program in September or October. I would have difficulty phasing in any kind of countercyclical help.

Senator McCCLURE. Your public works is not merged into your budgetary process in the same way?

Mayor PANUZIO. It is different in our area.

Senator McCCLURE. If there is a 337-day timelag before it goes to the contract, the contract will be let a year later. The expenditures over a period of time will add another year or two to that. That was parallel to the experience in the Accelerated Public Works Project Act of 1963. The expenditures started the year following the enactment.

The recession occurred in 1962. The act was in 1963. The expenditures started a year later than that. The major expenditures were the second and third year following the passage of the act. This is not what we are looking for right now in terms of immediate job stimulation. That is one of our dilemmas as we try to fashion programs that will put men and women back to work next month, if we can.

Mayor PANUZIO. I also would tell you that Bridgeport had a good program. We would take another one. We know there were some problems with it. The greatest problem we had with it is how we came

up with an increase in local share because the Department of Commerce could only go to a certain level, what they had available, and we had to come up with an increase in local share. But the end result is we are getting a brand new rehabilitative facility to serve people, and it is summer, as far as we are concerned. We think it was good.

Senator McCLURE. In your testimony, you are talking about public works program, you said that public works programs should not be administered under title I or title X of the existing act. On page 8 of your statement, in the continuation of paragraph four that started on the previous page, you say in the last sentence of that paragraph, "I strongly suspect that most or all of these legislative objectives could be achieved by revising and increasing the authorization of title X."

Mayor PANUZIO. I am sorry. That should have been stricken.

Senator McCLURE. Which one, the latter one?

Mayor PANUZIO. I strongly suspect that these objectives could be achieved by revising and increasing the authorization of title X.

Senator McCLURE. I am sorry you choose that one. I was hoping it could have been the other way around.

Mayor PANUZIO. We had some questions about that this morning in going over the testimony. I felt that should not be included.

Senator McCLURE. I appreciate the opportunity to understand what it is you have in mind. I was going to ask you what revisions do you have in mind.

Mayor PANUZIO. We are concerned about the administrative delay. We really are. That if we went through the title X right now, that we would see some substantial delays for one reason or another that would not do what we are trying to do, that would not get the money back fast.

Senator McCLURE. Do you think the title X delay is actually greater than the delay in the other public works administration procedures?

Mayor PANUZIO. From what I have seen of it, yes.

Senator McCLURE. From the testimony you heard this morning where they said while they did some work in mid-April, the substantial part of the work from April until June 1, lay in that period which was otherwise identified in the period of 212 days of preliminary work. Is there the possibility that we can, under title X, marshal the expenditures of the Federal programs to focus them on the areas of high unemployment?

Mayor PANUZIO. I am not sure I understand you.

Senator McCLURE. The purpose of title X is to look at all Federal expenditures and make certain that those that take place within the limits of the authorization be tilted in favor of the areas with currently high unemployment levels.

If we don't do that, then the public works money, generally speaking, get distributed across the country on a much different formula.

You suggested there ought to be a 60-40 urban/rural split. What if 75 percent of the unemployment is in the cities?

Mayor PANUZIO. I think you will note in my statement covering that that we pointed out that while we accept the 60-40, we said we believed a greater concentration should be in the areas of high unemployment.

Senator McCLURE. That isn't necessarily an urban area.

Mayor PANUZIO. We happen to believe it will be a good portion.

Senator McCCLURE. In my State the areas of the highest unemployment are the urban areas. The cities have the highest rates. In my State shouldn't we focus on where the unemployment is?

Mayor PANUZIO. We believe the unemployment is the consideration.

Senator McCCLURE. Unemployment should be the consideration.

Mayor PANUZIO. Also, you have to take into consideration while unemployment may be substantial, there are other effects of unemployment in the urban community. There are greater degrees of effects on an urban community by high unemployment in terms of other services, needs, and other problems that do arise in an urban community if unemployment is of a substantial nature. So that should be considered.

Senator McCCLURE. I understand the point you are making. I don't necessarily either agree or disagree. I don't want to get diverted off into that particular debate at this point, although I think it is a problem that the administrators have to look at.

I am concerned about whether we should write in an arbitrary percentage figure or whether we ought not to stick with the criteria that says we want to put this money where the unemployment is.

Mayor PANUZIO. We think there ought to be some criteria which says the greatest degree of the amount of money should go into the urban areas.

Senator McCCLURE. Would that be true even though the urban areas may not have any unemployment?

Mayor PANUZIO. Senator, I would like to see some urban areas that don't have high unemployment.

Senator McCCLURE. I will invite you to Boise, Idaho. Then I will take you up to the Panhandle of Idaho where the woodworkers have been out for 18 months.

Mayor PANUZIO. I will show you a city such as Bridgeport when we think it is a good day when it is down to 8 percent. About 2 years ago we were at 8 percent. We shot up very fast to 13.5 very quickly. In an area that not only has the problem of finances and decay and all of the inherent problems that an inner city has that a great consideration should be given to the urban problem.

Senator McCCLURE. I don't question that at all. If the urban areas experience the high unemployment, that is where the efforts should go. In my particular instance it is just exactly the opposite. So I would urge that the mayors rather than asking either for an arbitrary urban-rural split, because this split is not really the thing we are focusing on, we should be focusing on where the unemployment occurs.

Mayor PANUZIO. There has been a tendency to go toward the rural areas.

Senator McCCLURE. I made the comment in an earlier hearing that I have an administrator I would trade with yours.

Mayor PANUZIO. I have not met the same administrator.

Senator McCCLURE. Maybe we can negotiate a swap.

Senator DOMENICI. Why not just fire them both?

Senator McCCLURE. Without attempting to prolong the debate at all, I think we are both seeking the same thing. That is, to match up the resources that the Federal Government is providing with the need for job creation where unemployment occurs.

I would think you would agree that is your goal. Certainly it is mine.

Mayor PANUZIO. I agree.

Senator McCLURE. I don't want to see rigid formulas get in the way of being able to accomplish that according to the variations of the economic conditions in different parts of the country.

Mayor PANUZIO. One of the strong parts of our testimony is not pushing for a strong figure on that. That is not one of our major concerns. That is not as much a concern as the highlighting of getting the money back quickly to the local communities.

Senator McCLURE. I think I will repeat, this morning some comment was made about the Federal Government doing something direct. I think the Federal Government is doing something in direct assistance, but it is also very obvious to me, and should be to most, that the Federal Government cannot anymore provide the role of catalyst if the public works employment figures are correct at the best level we are talking about, \$20,000 per job average.

The PWIP program suggested a \$40,000 expenditure for jobs; \$360 billion would be needed for all 9 million unemployed.

Mayor PANUZIO. I am a conservative Republican by nature, and I think certainly with regard to fiscal ideas I am, but I also recollect when you have an economy running with a 9-percent unemployment rate, that happened upon us extremely quickly, which also is a consideration, and which doesn't look to be pulling out for a substantial period of time, that there is a responsibility on the part of the Federal Government to create catalysts. Nobody can say that you can take care of all 9 million unemployed, or lay out \$180 billion to \$360 billion.

But we do believe that what we are talking about in our total package, the whole three programs we are talking about, is less than \$15 billion.

We think those three would have substantial impact on reducing that 9 million unemployed within a shorter period of time.

I can understand the fiscal restraints the President has and can feel for the problem in terms of the money that is being drawn off of the market by the Federal Government and so on.

All of that is, I think, somewhat secondary to some very, very immediate needs that are taking place in our cities, and some very immediate needs that are taking place with regard to unemployment. I think we have to recognize it.

Senator McCLURE. I don't question that, mayor. I think you stated it very well. Our question it seems to me is the balance that will be struck.

I am concerned about how we devise programs to get this money out there quickly, to have the maximum amount of good in the area where it is needed, and at the same time guaranteeing the ability to withdraw from those programs as quickly as needed.

Mayor PANUZIO. The three programs we have talked about, No. 1 with regard to the countercyclical, gives a phased-down way of doing it. It talks about the unemployment rate for a period of time, a few months. It shows the amount of money the local communities need to maintain services and hold the taxes back to a reasonable amount to stimulate the economy.

I think it is a reasonable approach.

The public employment area, in which we talk about employing people for immediate areas with some phase-down is, I think, a responsible approach.

The public works projects that get back quickly a one-shot arrangement, this provides immediate jobs and if they are planned with some degree of long-term thinking, it will provide some long-term job adequacies.

I think those three areas meet those criteria you are talking about.

Senator McCURE. One final question: As I understand your concern with title X has been that it would create additional delay rather than expedite the procedure. If they can adopt administrative procedures that reverse that tendency, would that change your mind?

Mayor PANUZIO. Yes, it would.

Senator McCURE. Thank you very much.

Senator DOMENICI. Thank you, Senator McCURE.

In about 10 minutes we are going to have to go vote. Perhaps I can get my questions finished in that amount of time.

Why do you have to—in very simple terms—I understand that are related to the present economic crisis in our country—lay off 542 people?

Mayor PANUZIO. Our income is reduced by the fact that people are unemployed and cannot pay their taxes; 82 or 83 percent of our total budget is spent in the area of salaries. You either take a freeze on salary raise or reduce the number of employees in order to meet that.

Senator DOMENICI. You are telling me in your city, and it is different all over, your operational revenues come from ad valorem taxes?

Mayor PANUZIO. That is all.

Senator DOMENICI. You are telling us that your ad valorem taxes are substantially down because of the economic situation?

Mayor PANUZIO. Five percent below last year.

Senator DOMENICI. You attribute that to the inability on the part of the people who pay the taxes to pay them; is that correct?

Mayor PANUZIO. A substantial number of people who are unable to pay taxes, and a substantial number of commercial areas who obviously because of the economic situation are down in their areas and they are not paying taxes.

Senator DOMENICI. Now, if I understood you correctly, you support Senator Muskie's countercyclical revenue sharing program?

Mayor PANUZIO. Yes, we do.

Senator DOMENICI. It would take care of, in your instance and in the instance of cities like yours, that 542 people that you have to lay off?

Mayor PANUZIO. It would.

Senator DOMENICI. As I understand it, that measure would tie the assistance not only to unemployment in that city, but to—

Mayor PANUZIO. The national.

Senator DOMENICI. But to national and some kind of stable tax situation that you have heretofore had that has suffered a diminution because of the recession; is that correct?

Mayor PANUZIO. Right.

Senator DOMENICI. You understand that bill is somewhere in the neighborhood of \$4 to \$5 billion?

Mayor PANUZIO. That is right.

Senator DOMENICI. I understand you support that from the standpoint of the organization as the No. 1 approach—

Mayor PANUZIO. It is our best and most immediate way of solving the crisis of the big cities.

Senator DOMENICI. You do know that the approach that you said was third, which is the emergency employment section of CETA, is already in place and appropriated for this year and next year to the extent of \$2.4 billion? Do you understand that?

Mayor PANUZIO. We do. I understand that.

Senator DOMENICI. The House just approved a \$5 billion authorization. That would be 2.4 in outlays for next year.

Mayor PANUZIO. In public works, yes.

Senator DOMENICI. Would you support either that or Senator Montoya's 1.9, more or less, as an addition?

Mayor PANUZIO. Yes.

Senator DOMENICI. Now, are there not substantial programs in the pipeline that cities of America are entitled to and will be receiving next year that we don't know the total impact of at this point?

Mayor PANUZIO. Such as, Senator?

Senator DOMENICI. Community development money.

Mayor PANUZIO. I don't see community development bloc grant money turning around very much the economic conditions in my city.

Senator DOMENICI. How is that much different from public service jobs or from accelerated public works?

Mayor PANUZIO. Because you are talking about in Bridgeport picking up \$1.8 million of model city programs which have been carried out and which are humane programs which affect medical care and a lot of other areas.

I don't see—obviously we have attempted to continue some of these programs. A good portion of the money is being spent to phase out neighborhood development programs, redevelopment programs, things that were started and which we just have to finish up if we are going to get them completed. So in many instances the bloc grant money doesn't do any more than replace in a more adequate way, a better way, and I support it, but I get the feeling it is not going to do anything about the economic conditions in my city, other than perhaps if a neighborhood development takes place, sure, maybe we are eventually going to get some jobs.

Senator DOMENICI. I appreciate your answer, because it is the first one I have received. You are saying basically since 80 percent of the community development money is entitlement, it is substituting for a similar amount you had been spending?

Mayor PANUZIO. Exactly. Right.

Senator DOMENICI. It only adds to the discretionary funds, which is a small amount.

Mayor PANUZIO. Right.

Senator DOMENICI. What about other major grant-in-aid programs that are held up substantially either because of lack of local match or because of unreasonable delays?

Mayor PANUZIO. If we want to take the other bills that have come along with regard to concentrated employment act, the training programs will be of value. We talked about the mass transit bill. In Connecticut a substantial portion of that is going to go to supporting the Penn Central Railroad and will not relieve the economic conditions.

Also we are talking about, if we talk about capital programs, local shares, we are talking about 20 percent, which is a substantial burden on us to come up with right now.

We are arguing with the Governor, who says she doesn't have any money, any more than we have. The local share is a problem.

As I already related to the Community Development Act, with regard to some of the sewer programs and so on, again, we run into that local share that is a concern.

One of the things we see in the House bill passed today was the 100 percent figure. Obviously, everybody likes 100 percent.

I am a realist too, but I could not speak against 100 percent very easily. But we see that in terms of local financial crises of a nature where we were not able to pump into our budget enough money to meet these provisions, this is one way of getting things started without having to worry about local shares.

I just don't see a lot coming along that will relieve that economic condition.

Senator DOMENICI. I would like very much to ask you and through you if we could ask staff to help us with a couple of things that I think are extremely important.

First let me lay this premise. Jim, if you don't want to miss the vote, go ahead. I will catch you in a minute.

It appears that almost every one of our countercyclical or economic stabilizers that are temporary in nature are all tied to one point, either regional or local.

I am firmly convinced that that is the best we are going to do. But I am equally convinced that is not the best we ought to do. Because what we do is put into place \$2, \$3, or \$4 billion programs and unemployment lags 2, 3, 4, sometimes 5 months statistically in terms of true recovery. And we are right at the edge here.

We are going to have a deficit somewhere between \$69 and \$70 billion. There is latitude in that, as much as we are going to wiggle, it looks like there is about \$2.5 billion over and above the CETA emergency money, which is in place. Whether you and I think it should have been taken last or not, it got there first with the most. We can't even succeed in moving half a billion to another one. That loses every time it is tried.

So the House is moving rapidly with theirs. It is obvious what is occurring. They are trying to get their 2.4 so-called Albert bill to the forefront first.

Senator Muskie is moving on this side with his \$2.5 billion outlays for next year in countercyclical funds. They are not all going to make it. We are not going to get all three of them when you add them all up.

So it seems that the league and the conference could do us a tremendous service if they would take five or six major categorical grant programs that seem to have enormous hangups and give us some help.

Water and sewer grant programs are in serious problems; Illinois can't get this year's allotment of almost \$1 billion spent; we can't get \$6.5 million spent in New Mexico this year; \$13 billion is around in obligations, contracts, appropriations. We will have more highway funds next year.

If these programs could be analyzed from the standpoint of what we could do to expedite their pace, it could pick up the slack for a lesser public works project of some type.

I would ask if the staff could help us with that; I think it is relevant and gives us some choice.

Maybe Senator Muskie's is the appropriate one to fight the House with on their public works projects. Maybe you would not break the bank in the process. We would appreciate that.

I am going to have to go vote. I believe we will be back in just a couple of minutes.

[Brief recess.]

Senator MONTÓYA. The committee will be in order.

Our next witness this afternoon is the Honorable Dave Santillanes, chairman of the Bernalillo County Commissioners, representing the National Association of Counties.

I certainly want to welcome you, Commissioner Santillanes. I know of your work in Albuquerque and Bernalillo County. I know you have been doing a fine job.

I know, under your leadership, the board of county commissioners have launched some very worthwhile projects. I understand that you are now proposing a county bond issue to try to get these projects going.

You have submitted your statement which will be made a part of the record. You may proceed to summarize it as you wish or to read any part of it you wish.

STATEMENT OF HON. DAVID SANTILLANES, CHAIRMAN, BERNALILLO COUNTY COMMISSIONERS, NEW MEXICO, REPRESENTING THE NATIONAL ASSOCIATION OF COUNTIES, ACCOMPANIED BY JIM EVANS, NACO

Mr. SANTILLANES. Thank you, Mr. Chairman. First of all, Mr. Evans is with me. He is with the staff of the National Association of Counties.

Mr. Chairman, thank you for the opportunity to appear before your subcommittee and provide supporting testimony on this important legislation.

My name is David Santillanes. I am chairman of the board of county commissioners of Bernalillo County, N. Mex. This statement is made on behalf of the citizens of Bernalillo County. Approximately one-third of all the citizens in New Mexico reside in Bernalillo County. I am also representing the National Association of Counties today.

The purpose of my testimony is to support both S. 1587, the "Public Works Employment Act of 1975" and S. 1704 "the Local Public Works Capital Development and Investment Act of 1975."

In my testimony, I indicate the proposed legislation is the most viable alternative to support other Federal programs and stimulate the economy in fighting the recession.

Attachments to my testimony indicate a severe drop in construction activities in 1974 as compared to 1973 in Albuquerque, the largest city in Bernalillo County. Also, in the event this act is passed, my testimony indicates the type of projects Bernalillo County could get started

within the 60-day period required in the legislation and the cost of such projects.

One problem is noted with the proposed legislation insofar as Bernalillo County is concerned. That problem appears in subparagraph (c) on pages 3 and 4 of S. 1587. The language as written therein would prohibit Bernalillo County from qualifying for the Federal appropriations under the act and we believe other governmental jurisdictions would have similar problems.

We, therefore, propose that language be amended to read "(c) the Federal share of a grant made for a project under this section shall be 100 per centum: *Provided*, That the Secretary may reduce the Federal share if he determines that an eligible applicant—including a private, nonprofit group—has not reasonably exhausted its effective taxing and/or borrowing capacity."

I am also submitting a NaCo survey of 31 counties in 22 States that I believe verify the tax problems facing local governments and verify the backlog of public facility needs that counties could rapidly initiate if the funds were available. Although this survey was only a small sampling, the counties contacted represent a full 10 percent of the Nation's population.

The survey findings indicate that many counties have been forced to freeze job hirings, freeze salaries, and cut county services even while unemployment, welfare, and law enforcement demands have increased. Most of the counties surveyed have also been forced to defer capital project expenditures.

I did submit that statement, attachment No. 1, which would show you the ups and downs, and mostly the downs in this 1974-75 period, where unemployment has come down.

I do, in attachment 2, have the summary of capital projects needed in Bernalillo County, which could be implemented right away, within 2 months.

Senator MONTOYA. Mr. Santillanes, what are you doing by way of accumulation of funds to take care of the projects which are listed on attachment 2, which you appended to your statement?

Mr. SANTILLANES. We do not. These are projects needed and we have no money.

Senator MONTOYA. Has the work been done on these projects all right?

Mr. SANTILLANES. We have four baseball diamonds that we made for the Babe Ruth League.

Senator MONTOYA. This would be a recreational project?

Mr. SANTILLANES. Yes.

Senator MONTOYA. And the North Valley Community Center would be a capital outlay project for the Youth and Senior Citizens Recreation Center.

Now, how are you going to undertake to build these projects?

Mr. SANTILLANES. Well, we will first go through channels to get our input which we already have. The people have already put their input. We know what they want. All we have to do is go before the architect and it will not take long.

Senator MONTOYA. You indicate here the startup time would be 2 months on all these projects. What does that mean?

Mr. SANTILLANES. It would only take us about 2 months or less to start these projects.

Senator MONTOYA. Start construction?

Mr. SANTILLANES. Construction.

Senator MONTOYA. Do you have a bond issue being proposed to the people?

Mr. SANTILLANES. We have a four item bond issue, which is coming before the people on June 17.

Senator MONTOYA. How many million?

Mr. SANTILLANES. \$14,860,000. One is for a new jailhouse which the Federal courts—

Senator MONTOYA. You house a lot of Federal prisoners in the Bernalillo Jail, don't you?

Mr. SANTILLANES. Yes, we do. The second is for the county hospital, which is only \$960,000 to finish the children's pediatric ward. The third is for county offices which we are very much in need of. The fourth one is one of the most demanding: a detention home for youth.

Ours is very obsolete. It was built in 1941 and it is very much in need of replacement.

Senator MONTOYA. Now, what projects have you had to delay because of the recession?

Mr. SANTILLANES. Almost all of them, Senator. The previous commission had started some projects and had on their previous budget, they had expended too much money. On our budget, we had to cut down on a lot of the human resources we had.

Senator MONTOYA. What is your unemployment today?

Mr. SANTILLANES. It is 8 to 10 percent.

Senator MONTOYA. And has it been going up?

Mr. SANTILLANES. It has been going up, yes. For example, Senator, when title VI came out we had as our share 57 jobs—we had over 3,000 applicants.

Senator MONTOYA. So that means most of these people are not going to get any jobs?

Mr. SANTILLANES. That is right.

Senator MONTOYA. What about the city?

Mr. SANTILLANES. The city did not participate very much on their manpower projects. They did not participate 100 percent like we did.

Senator MONTOYA. What about the service jobs?

Mr. SANTILLANES. This county commission has already given out the contract for the South Valley and the North Valley Sewer and Water Project. There was some money appropriated, which is not going to be enough, Senator.

The water project for the North Valley, they claimed they are out of money. It will take another 2 years to implement that.

Senator MONTOYA. How much do you need for the North Valley?

Mr. SANTILLANES. I think it is \$1,600,000.

Senator MONTOYA. How much do you need for the South Valley?

Mr. SANTILLANES. That is close to \$2.5 million.

Senator MONTOYA. In fact, the North Valley is more advanced in its water projects than the South Valley projects?

Mr. SANTILLANES. That is right.

Senator MONTOYA. Do you have an application before EDA for any additional funding?

Mr. SANTILLANES. I am pretty sure we do.

Senator MONTTOYA. Will you check into that and let us know?

Mr. SANTILLANES. I sure will.

Senator MONTTOYA. Will you get together with Mr. Santillanes and get the name of the project and see if we can find out from downtown whether there is a pending application and what the situation might be? Also with respect to the South Valley project.

How have you spent your revenue-sharing money in the county?

Mr. SANTILLANES. Senator, you know that I have only been in office 4 months and the revenue sharing was spent before we got there.

Senator MONTTOYA. How did they spend it?

Mr. SANTILLANES. They were spent—

Senator MONTTOYA. Did they spend it for any capital projects?

Mr. SANTILLANES. They spent it on some capital projects. Some of this they were spending on what should not have been a county project. They would go in on the intergovernment agencies and spend some with the city, like \$200,000 went for the Albuquerque Zoo.

These are projects we could not take. Our transportation, \$200,000 went into the transportation system of the Albuquerque area.

Senator MONTTOYA. What did they do at the zoo with \$200,000? Build better quarters for the animals?

Mr. SANTILLANES. Senator, I could not answer that.

Senator MONTTOYA. Do the senior citizens have any dormitories in Albuquerque?

Mr. SANTILLANES. No. We could have used that.

Senator MONTTOYA. I believe that is all, Mr. Santillanes. Thank you for a very fine statement.

Senator Domenici, do you have any statements?

Senator DOMENICI. I have no questions, but I want to join you in thanking Chairman Santillanes for appearing. I think you can hear from questions during the day that we are very concerned about the unemployment, about what is right to put some people back to work that really want work. That is a real concern.

There are many people in our county, your county, and in these United States who want jobs and cannot find them. We are concerned about them and will do our best. You and the association have been very helpful in presenting your testimony today.

Senator MONTTOYA. Thank you very much.

If there is no objection, we will include in the record at this point the statement of Governor Dan Walker of Illinois, which was brought here by Mr. Don Glickman, who had to leave.

[Mr. Santillanes' statement and attachments and the statement of Governor Walker follow:]

STATEMENT OF DAVID M. SANTILLANES, CHAIRMAN, BOARD OF COUNTY COMMISSIONERS, BERNALILLO COUNTY, N. MEX.

Mr. Chairman and Members of the Subcommittee: Thank you for the opportunity to appear before your Subcommittee and testify on this important legislation. My name is David Santillanes, Chairman, Board of County Commissioners, Bernalillo County, New Mexico. I am submitting this statement on behalf of the National Association of Counties (NACo), the only national organization representing county government at the federal level. I am accompanied today by Mr. Jim Evans of the NACo staff.

The purpose of my testimony is to provide supporting data for the proposed legislation before your Subcommittee that would provide aid to states, counties and cities, for public works projects to stimulate the economy in areas of severe unemployment and to provide much needed local facilities.

In my testimony, I will cite statistics from a NACo survey of 31 counties in 22 states that I believe verify the tax problems facing local governments and verify the backlog of public facilities needs that counties could rapidly initiate if the funds were available. Although this survey was only a small sampling, the counties contacted represent a full 10% of the nation's population.

The survey findings indicate that many counties have been forced to freeze job hirings, freeze salaries and cut county services even while unemployment, welfare and law enforcement demands have increased. Most of the counties surveyed have also been forced to defer capital project expenditures. Eight of the 31 counties surveyed have actually frozen capital construction of facilities or roads.

Also attached for the record are examples of projects in Bernalillo County, New Mexico, that could be rapidly initiated to stimulate the economy and provide much needed public facilities.

SUPPORT FOR BOTH S. 1587 (MONTROYA) AND S. 1704 (RANDOLPH)

Your committee has two legislative proposals under consideration to provide funds for needed local public works projects to stimulate the depressed construction industry.

S. 1587 would amend the Public Works and Economic Development Act of 1965 to provide additional funding through current programs administered by the Economic Development Administration.

S. 1704 would create a new program called the Local Public Works Capital Development and Investment Act of 1975 to provide funding to states and local governments for needed public facilities. It would also be administered by the Economic Development Administration but separately from the Public Works and Economic Development Act.

NACo supports the proposals contained in both bills. We believe the programs would be complementary. NACo policy is best reflected in a resolution approved on May 6, 1975 by the NACo Community Development Steering Committee as follows:

"Counties throughout the United States have been full partners with cities, states and the federal government through the programs for economic development funded by the Economic Development Act.

These programs are aimed at fighting high and persistent unemployment by stimulating the private economic sector, primarily through public works and technical assistance projects.

NACo believes that these programs should be intensified during recessionary periods and therefore urges Congress to support full funding of all Titles in the Economic Development Act.

Further, NACo supports Congressional efforts to implement a large scale Emergency Public Works program for local government public works projects, at the construction drawing stage, that will provide additional stimulation of the economy.

This program should complement and be coordinated by the local governing body with current programs already authorized by the Housing and Community Development Act and Comprehensive Employment and Training Act."

Thank you, Mr. Chairman, for the opportunity to appear before you. I am available for any questions you may have.

ADDITIONAL COMMENTS OF DAVID M. SANTILLANES

Mr. Chairman and Members of the Subcommittee: Thank you for the opportunity to appear before your Subcommittee and provide supporting testimony on this important legislation. My name is David Santillanes, and I am Chairman of the Bernalillo County Commission, Bernalillo County, New Mexico. Approximately one-third of all the citizens living in New Mexico reside in Bernalillo County. This statement is submitted on behalf of those citizens.

The purpose of my testimony is to generally endorse the proposed legislation "Public Works Employment Act of 1975" (S. 1587). It is my opinion that the additional monies offered in aid to states, counties, and cities for public works projects under this legislation would stimulate the economy and would supplement the other measures being taken by the Federal government to overcome our recessionary problem.

I do not claim to be an expert in economics, but I am a businessman as well as a County Commissioner, and some say I have been a successful businessman. Certain actions have been taken by the Federal government to improve the unemployment situation. Bernalillo County anticipated that additional public sector jobs would be made available by Federal government appropriations. We had planned several County programs which would use additional County employees if such became available through the Manpower Act. It turned out that we were the only local government in Bernalillo County which received 100 percent of its requested funding for Manpower Commission jobs. We believe we received 100 percent because we were prepared to act when the Federal government acted. We appreciate the Manpower Program and believe that the additional jobs made available in New Mexico have assisted our bleak employment picture.

Public sector jobs, in my opinion, are not adequate to overcome our unemployment problems in Bernalillo County. The last report provided us indicates that unemployment in Bernalillo County exceeds 8 percent.

We support the "Public Works Act of 1975" because of the following reasons:

1. Any funds made available to Bernalillo County and the City of Albuquerque should have an impact on reducing unemployment. Economic experts have informed me that construction work performed by private contractors is an excellent way to promote the economy. They tell me that money spent in the construction industry turns over three, four or possibly even five times in the community. The construction industry in general, and the housing industry in particular, showed a considerable decline in Bernalillo County and in New Mexico in 1974 as compared to 1973. As Attachment I to this statement a report is being submitted showing the actual statistics.

2. On June 17, 1975, the Bernalillo County Commission is submitting four bond referendum questions to our voters. The bond questions, if approved, will authorize an expenditure of \$14,860,000 in capital improvements. Under State Constitutional Limitations, these General Obligation Bond issues, if approved, will bring Bernalillo County to within approximately \$8,000,000 of our constitutional G.O. Bond limitation. The County Commission unanimously voted to present these bond questions to the citizens. If we were not so close to our constitutional limitation, it is likely other bond questions would have been considered by the Commission for presentation to the voters. We have several major capital improvements which are needed, but which we cannot fund. As Attachment II to this statement I am submitting information identifying the projects, estimating the construction cost, the time to start up and the total time to finish each of the projects. I trust you will find this information valuable in considering the legislation before you.

This completes my general statements in support of the legislation.

May I direct your attention to one section of a proposed legislation which might cause problems in accomplishing the intent of the Bill. Reference is made to S. 1587, page 3, line 21, sub-paragraph (c) which provides "the Secretary may waive or reduce the non-Federal share if he determines that an eligible applicant (including a private, nonprofit group) has exhausted its effective taxing and/or borrowing capacity."

As indicated in the remarks above, Bernalillo County has not exhausted its taxing capacity for General Obligation Bonding. We have exhausted our capacity of taxing in our other operational areas. The State of New Mexico has delegated little authority to the counties for independent taxing powers. We only have what they give us.

The Bill provides that projects must be approved and initiated within 60 days. Attachment II to this statement indicates that Bernalillo County has several projects which could be commenced within the 60-day limitation. However, we do not have local funds to match the 80 percent Federal funds, and we do not have additional taxing authority except for bonding mentioned above. Under this legislation as written, Bernalillo County would not qualify for funding. It is our belief this section should be broadened to take into account governmental jurisdiction having problems similar to ours.

It is not our practice to bring a criticism without bringing a proposed solution. We would propose the language in sub-paragraph (c) on pages 3 and 4 be amended to read "(c) the Federal share of a grant made for a project under this section shall be 100 percentum; provided, that the Secretary may reduce the Federal share if he determines that an eligible applicant (including a private, nonprofit group) has not reasonably exhausted its effective taxing and/or borrowing capacity."

With such language Bernalillo County would be able to present evidence to the Secretary that all taxing authority has been exhausted except General Obligation Bonding authority. We further would be able to present evidence that although all G.O. Bonding authority has not been exhausted, it has been reasonably exhausted, and the 60-day term limitation would not allow a further referendum on bond questions.

One further comment. Although we support this legislation as the best alternative in attacking our economic problems, we recognize you have Federal budget problems. If this funding were to have an effect in reducing Revenue Sharing, and we were asked our opinion as to which is most important to us, we would have to give priority to Revenue Sharing. But we agree with Senators Montoya, Gravel and Randolph that this Act is the most viable alternative in attacking current economic problems and it helps develop a balanced approach in solving these problems.

If you have any questions or comments for me, I would be happy to respond.

NACo SURVEY VERIFIES THAT LOCAL GOVERNMENTS ARE FACING SEVERE TAX PROBLEMS AND THAT A BACKLOG OF PUBLIC WORKS PROJECTS EXISTS THAT COULD BE INITIATED RAPIDLY TO STIMULATE THE ECONOMY

NACo believes that it is in the national interest to see that counties, cities and states continue to be able to provide an adequate level of services to our citizens.

While we have found that federal aid is decreasing as a percentage of state and local budgets (from 25.2 percent in 1973 to an estimated 22.2 percent in 1976), county budgets are increasing and local taxes rising. While Congress cuts taxes to stimulate the economy, many counties are finding that increased demands are causing severe strains on our resources. In fact, without general revenue sharing many more counties would have to raise local taxes in complete opposition to federal policy of cutting taxes to stimulate the economy.

A survey of 31 counties in 22 states varying in size from over seven million in Los Angeles County, California to 7,900 in Shelby County, Missouri, found that the majority of counties have been forced to raise or to keep their local tax rate stable. Only one county surveyed could reduce their local tax rate more than 1%. The most frequently cited causes for budget increase were inflation and increased law enforcement and court costs. Other causes included welfare and related services. Shortfalls from revenue estimates are anticipated by three-quarters of those surveyed.

This dilemma is not surprising. Although county responsibilities vary from state-to-state, most county governments are providers of services that usually face increased demands during times of economic hardships. Previous NACo surveys show that a substantial majority of counties provide the following services:

	Percent
General assistance and welfare.....	79
Medical assistance.....	68
Police protection.....	82
Public health services.....	75
Mental health services.....	60
Schools.....	57
Detention and court services.....	85

Usually state and federal laws require that counties provide these services. The county has no choice. The result is pressure for increased local taxes (at a time when reduced taxes would help stimulate the economy).

The survey of 31 counties in 22 states of various sizes by the National Association of Counties shows:

QUESTION 1: HAVE YOU RAISED OR LOWERED YOUR TAX RATE WITHIN THE LAST YEAR?
BY WHAT PERCENT?

Thirty-one counties responded to this question. There was a range between tax increase of 15 percent to a decrease of five percent. One third of the counties responding increased their tax rate; 14 counties' rate remained stable and the remaining counties (6) decreased their taxes. Generally those counties with populations above 500,000 increased their taxes. The counties with populations below 100,000 appeared more likely to keep taxes at a stable level. Those

counties which lowered their tax rates were spread over the entire population range, with five of the six decreasing tax rate by one percent or less and one county decreasing by five percent due to a one year windfall.

QUESTION 2: WHAT HAVE THE LARGEST CATEGORIES OF BUDGET INCREASES?

A large number of causes for budget increases were cited by the surveyed counties. The most often stated cause for these increases was attributed to inflation. Counties with populations over one million people often referred to mandated state and/or federal programs which raised their budget costs. The increased demand and delivery of services, particularly law enforcement and social services, were cited by nearly all the counties. Counties with populations below 50,000 were particularly concerned with the increased costs of energy. Five counties, of varying population, stressed the budget increases being caused by employees' merit and cost of living increases.

QUESTION 3: HAVE YOU HAD TO CUT YOUR BUDGET? HOW?

The need to cut budgets has been experienced most frequently by counties whose population is above 100,000. Eleven counties have utilized job freezes at one time or another during the last six months. Eight counties have frozen capital constructions of facilities or roads. Six counties have required across the board cuts in services by county departments and four counties have placed freezes on employees salaries.

QUESTION 4: DO YOU ANTICIPATE SHORT-FALLS FROM YOUR REVENUE ESTIMATES?

Nearly all of those surveyed anticipated revenue short-falls of some type. These estimates were attributed to short-falls in nearly all county revenue sources, including gasoline sales rebates from the state, property taxes, housing permits, deed recording fees, vehicle registration fees, and interest on interim fund investments.

QUESTION 5: WHAT ARE THE MAJOR USES OF REVENUE SHARING?

Funds have been used in all of the priority categories, public safety, environmental protection, public transportation, recreation, libraries, social services and financial administration, as well as for capital construction. Many of the counties surveyed have altered their use of general revenue sharing funds during the last year. These counties (generally with populations of 500,000 or more) are now using general revenue sharing as a buffer to meet normal operating expenses. Without general revenue sharing these counties estimate they would have been forced to reduce services or raise taxes.

QUESTION 6: DOES THE COUNTY HAVE NEEDED PROJECTS READY TO START WHICH WOULD STIMULATE THE ECONOMY IF 100% FEDERAL MONEY WERE AVAILABLE?

All but two counties surveyed indicated they have at least one public works project ready to go if funding were available. We believe this verifies that a backlog of public works projects exists across the country. In fact most counties have actually frozen expenditures for capital projects or road construction.

The two counties without a project ready to initiate were both nonmetropolitan counties. They indicated that the need for facilities existed but that they would be unable to start a project within sixty days on an emergency basis. The problem cited was a lack of staff for project planning so the county is not in a position to pursue projects unless funding is assured in advance.

QUESTION 7: HOW MANY PROJECTS ARE READY TO GO AND WHAT IS THE ESTIMATED DOLLAR VALUE?

Those counties with projects ready to go vary from only one project in four counties to more than 25 projects in five counties surveyed. There were eleven counties with fewer than three projects ready; eight of these counties are non-metropolitan counties with fewer than 100,000 population.

The projects varied in estimated value from a low of \$10,000 for a road and drainage project to a \$36 million dollar sewer and waste water project. Most

projects fell between a range of \$200,000 to \$2 million. Eight urban counties have projects which could be initiated on an emergency basis that total more than \$10 million in estimated value.

QUESTION 8: WHAT ARE THE TYPES OF PROJECTS READY TO START?

The types of projects appear to run the full gamut of facilities for county services.

We tabulated the types of projects that could be started immediately into three frequency groupings.

From eight to fourteen counties surveyed indicated they have at least one project in the following categories ready to start: roads/bridges/highways, criminal justice/courthouse facilities, water/sewer/waste water projects, parks/recreation facilities, health clinics/hospitals/nursing homes.

From three to six counties indicated they have at least one project in the following categories ready to start: industrial park projects, flood control/drainage projects, housing/community development projects, energy recovery/solid waste projects, multiple purpose/human resources facilities.

Projects of the following types are ready to start in one or two counties each: school facilities, library, airport facilities, animal control facility.

QUESTION 9: HOW SOON AFTER APPROVAL OF A 100% FEDERAL GRANT COULD THE PROJECT START?

As indicated previously two counties indicated they had no projects that could be started rapidly. One half of the other counties indicated they have projects that could start within 30 days after approval of funding. Usually there is at least a legal advertising or formal fiscal encumbrance necessary prior to initiating a contract for public works. The other 50 percent indicated that these projects could be started within thirty to sixty days.

It should be noted that in some cases counties could start at least one project on the same day they received a federal grant. All planning and preparatory steps have been taken.

QUESTION 10: WOULD THESE PROJECTS AND FUNDS BE IN ADDITION TO OTHER PUBLIC WORKS EXPENDITURES, OR REPLACE CURRENTLY BUDGETED EXPENDITURES?

In all responses counties indicated that these funds and projects would be in addition to currently budgeted expenditures. For most of these projects counties are pursuing sources of federal/state/local funding. Many have gone through all local and state clearance procedures for federal grants.

COUNTIES SURVEYED APRIL 10, 1975

POPULATION OVER 1 MILLION—COUNTY AND STATE

Los Angeles, Calif., San Diego, Calif., Alameda, Calif., Santa Clara, Calif., Nassau, N.Y., Milwaukee, Wis.

POPULATION 500,000-999,999—COUNTY AND STATE

Maricopa, Ariz., Shelby, Tenn., Marion, Ind., Monroe, N.Y., Middlesex, N.J., Fulton, Ga., Fairfax, Va.

POPULATION 100,000-499,999—COUNTY AND STATE

Davidson-Nashville, Tenn., Orange, N.Y., Erie, Pa., Forsyth, N.C., Orange, Fla., New Castle, Del., Boulder, Colo.

POPULATION 50,000-99,999—COUNTY AND STATE

Aroostook, Me., Miami, Ohio, Mercer, W. Va., Jefferson, Wis., Laramie, Wyo., Boone, Mo., Henry, Ill.

POPULATION UNDER 50,000—COUNTY AND STATE

Rutherford, N.C., Bolivar, Miss., Shelby, Mo., Bingham, Idaho.

STATEMENT OF HON. DAN WALKER, GOVERNOR, STATE OF ILLINOIS

Mr. Chairman, I welcome this opportunity to appear before your Committee in support of legislation which would provide immediate funding for planning public works projects.

As I understand S. 1704, it provides immediate grant-in-aid to state and local governments for the purpose of constructing public facilities in areas of high unemployment. Mr. Chairman, in my judgment, such a program is more than justified. It is desperately needed.

The nation faces the worst recession since World War II and unemployment in Illinois, a prosperous state with a balanced economy, is currently at more than 450,000 persons, over 8% and approaching 9%. Other states are facing even more severe unemployment problems.

It has been my opinion that in spite of the national—even international—scope of this recession, state government could not stand idly by in time of crisis. For that reason, I proposed to the General Assembly a statewide \$1.4 billion accelerated building program for the next two years. I strongly feel that such a program could help us turn the corner on recession in Illinois.

Mr. Chairman, the Illinois General Assembly is even now weighing this program in Committee, and I am hopeful that they will see the wisdom of this approach even as you have in Congress.

Our goal is to expedite construction of needed facilities which represent labor intensive projects with short lead-time in areas of high unemployment. This is clearly the priority in terms of human need, and we must respond.

I would like to stress that the jobs that will be created as a result of our similar proposals would be in the private sector of the economy. Building and rehabilitation work would be performed by private firms hiring their employees, many of whom have been laid off because of lack of work.

Now, Mr. Chairman, we have not been idle since proposing our accelerated building program in January, and I would like to tell you what we have learned as we have proceeded toward the implementation of this comprehensive state program. Because Mr. Chairman, we had to ask ourselves what people are asking you, "how rapidly can we get projects underway?"

What we can tell you today (and, Mr. Chairman, I have a full report which I will summarize and which I will be glad to leave with the Committee) is that we have identified projects, completed through engineering studies, which will permit us to have over \$500 million under contract within 90 days. Within twelve months we could have \$1.5 billion obligated. If our program is approved shortly, as I hope it will be, we can actually spend in FY 76 over \$600 million. This means money paid to taxpayers, as well as to contractors, suppliers and other private enterprises. This means, in simple terms, that we can increase productive employment, both direct and indirect, in Illinois by an estimated 30,000 jobs.

Mr. Chairman, we have also identified a great many state and local projects for which there will not be sufficient state funds even under our accelerated building program, and this report clearly supports the testimony given in the House by numerous local and state officials that there are sufficient projects at the ready or near ready position to effectively and efficiently utilize the \$5 billion which S. 1704 would authorize.

I can assure you, Mr. Chairman, that Illinois for one will utilize its fair share and then some. We are serious, and our actions in the last five months have acted to prepare many of our local communities to push along to the ready position needed projects which would be prime candidates for the program you seek to legislate.

I would strongly recommend that when you deliberate on S. 1704 you retain the original language which places state projects in the same priority as local projects. The purpose of the bill, as I see it, is to expedite projects in high unemployment areas that correspondingly have a high functional priority. It matters very little whether the project is state or local, and therefore both types of projects, at the outset, should be given the same priority in the legislation.

In our report we explain the difference between the state projects which can be moved ahead relatively independent of local action and locally initiated projects. One of the points of the report is to indicate that there is not a shortage of either kind of projects and for that reason I am confident that a national as well as a state program can be effective.

May I add, Mr. Chairman, that I would recommend that S. 1704 be amended to include limited administrative funds which could be used by a state to provide some of the overall coordination and guidance that has been so helpful in our

situation to date. Of course we have made our investment in Illinois as indeed we did when the fuel crisis caught us by surprise several years ago. But in order to get more uniform involvement of state governments in this vital public works program and to insure the participation of the poorest areas of a state, it is, in my judgment, of primary importance to enlist the state governments in the process of identifying, nurturing and implementing local projects if they so choose. I would not grant the states any additional authority vis-a-vis the local governments, but I would see to it that they could not claim that the lack of funds was the reason why their considerable assistance was not available to local governments or to the expediting of state projects.

Turning my attention to S. 1587, which is also before the Committee, I would like to register my strong support for it. S. 1587 builds on the creative approach to economic development which the Congress was able to enact last year. It lifts the authorization levels to more defensible levels, and it includes several new ideas which bear trying.

In particular, I would like to urge adoption of the provision which would permit the increase of the federal contribution to a public works project to 100% in special cases. Illinois is not a member of any regional economic development commission under whose program the local match might reasonably be reduced in special cases. Consequently, the burden has fallen on the state to supply the local match when it was unavailable at the local level. There should be a more certain and timely method of dealing with high priority cases than is presently the case and therefore, I would support the authorization of \$200 million for this purpose.

In closing, Mr. Chairman, let me reiterate my support for S. 1704 and S. 1587 and impress upon you the urgency with which we must all address the problem to which this legislation is aimed.

Senator MONTOLA. Our next witness is former Congressman Jerome R. Waldie, representing Friends of the Earth.

STATEMENT OF JEROME R. WALDIE, REPRESENTING FRIENDS OF THE EARTH, ACCOMPANIED BY BILL PAINTER

Mr. WALDIE. I have Mr. Bill Painter with me.

May I just express my appreciation and gratitude to Mr. Greer for permitting us to have this time, after consultation with you. I am grateful for the cooperation Mr. Greer gave me on short notice in asking for this opportunity. It was extraordinary and I appreciate it.

Senator, I do not intend to go into any great detail on the bill. Mr. Painter will perhaps discuss some of the details, but I just simply want to say in our review of the bill, the Friends of Earth organization, we find it an exceptionally good piece of legislation. We find the principal objective for public works projects of this nature has been carried out in this vehicle; namely, that you seek to spend the funds in labor intensive projects and seek to expend the funds in projects that can quickly be gotten into action.

Our concerns in terms of environmental problems have always dealt mostly with the massive earth movement, that deal with massive water works projects, dams, drainages, reclamation projects of that nature.

We think that the scrutiny that the environmental movement gives to those projects is an important scrutiny in terms of the public interest and our concern in terms of emergency public works projects have always been that in deference to the nature of the emergency that some of the safeguards that exist in the approval or disapproval of those projects would be discarded in the interest of quickly getting people to work.

We do not find that in this bill and we are encouraged by it. We share the objective of getting as many people to work as possible. The only concern that I might express is the concern that Mr. Painter,

I am sure will deal with, with more detail, and that is that one of the great constraints against unwise projects is the requirement that there be local funding.

When that requirement is lessened or diminished, we think the local input which frequently is an input of opposition as well as support has been denied a voice.

So when you talk about 100 percent Federal financing in order to eliminate the necessity of local contribution, if you are not careful with that sort of approach, you will have denied those in the community who seek to revise or oppose a project a voice that they now have.

Senator MONTORA. Of course, it will work this way as I understand the bill and the concept, that the local people will have to assure the administrator that they do not have the resources with which to match the Federal funding, and that they in turn have to apply to the administrator for a waiver of the matching requirement.

So up to the point of the waiver, they still have the kind of influence that you want to retain for them.

This committee is not in favor of a general waiver for everyone. There are cases, as I mentioned this morning, where hardship presents itself and unless the waiver provision is in this law, these communities because of their lack of resources will not be able to participate in any of these programs.

Mr. WALDIE. I agree and I think they should not be denied the opportunity to participate. The only caveat I make for the record is that when the decision is made as to whether or not a waiver should be granted, that it in fact be predicated upon those criteria that you have expressed, that the community desires the project but its resources are such that they cannot meet the matching funds.

I would hope that no waiver would be granted in a situation where the community has turned down the bond issues on the basis that the administrator might say, "They are turning down the bond issue as a demonstration of their lack of capacity to meet the matching funds." It might be that the turning down of a local bond issue was an expression of disapproval of that sort of project for the expenditure of their tax funds.

And that is really a judgmental matter that I presume the administrator would have to make under this provision in the bill, and I would hope that the record would show that if the determination is that the community turned down local financing, not because of their failure to have resources to provide it, but because of their objection to the project, the waiver ought not to be granted. That is a technicality that I want to simply bring up for the attention of the community.

Finally, in conclusion, Senator, there is a myth perhaps predicated on some reality that the environmental movement is a constant "nay say." That the environmental movement is simply in opposition to any efforts to expend public works funds, to any efforts to mount public works projects. That really is not so.

The extremists, to turn the coin around, the environmentalists have normally been called extremists, the extremists that portray the environmentalists' view as narrowly as that do the public a disservice. I think the input of the environmentalists is an important input.

Senator MONTORA. I am inclined to agree with you in that analysis. But I think that we in Congress and most local bodies are very mindful of the polarization of views that exists within the environmental spectrum, and I think we can readily understand and appreciate the viewpoints of the environmentalists who are sincere, who are constructive, and who genuinely have a regard for the environment with respect to certain projects. I think that interest should continue.

I think that kind of an environmentalist is an aid to this country's future. He can contribute greatly to the future and to the environmental cause. I think he is the one that can weed out the extremists in the movement, or just soften their voice, so to specify, and not be taken over by them.

Mr. WALDIE. I think that is an important suggestion. I might add without attempting to sound defensive, that extremism in this debate is not confined only to the environmentalist side. I have heard comments from very, very reputable, highly placed, responsible labor leaders that would pale in terms of comparison to extremism of any comments I have heard from environmentalists.

I think your caveat is well taken, but I only would suggest that voices ought to be lowered on each side of this controversy, and again in conclusion, I just want to suggest to you that on the House side, before the Public Works Committee, H.R. 5247, before Congressman Robert Roe's subcommittee of the Public Works Committee, I think a major step was made in respect to an accusation between the conflicting sides of the environmental movement and the developmental movement where now it does seem we are in a position at least on that side to move much more constructively, Senator.

I was very pleased for that reason with your willingness to permit us on such short notice to appear before this committee. I think we share the same objectives, which is to provide as many jobs as quickly as possible for as many that need jobs, and to provide those jobs in a manner that will do the least violence to the resources of this country.

Your vehicle comes very close to that in our view. We are in support of it.

Senator MONTORA. Thank you very much. Do you have any other statements?

Thank you very much. We appreciate your views here this afternoon. We have a statement by Mr. Painter which we incorporate in the record.

STATEMENT OF BILL PAINTER, DIRECTOR OF THE AMERICAN RIVERS CONSERVATION COUNCIL

Mr. PAINTER. I will just summarize it. First let me echo Mr. Waldie's words in support of the bill. I must admit that I don't know the various job programs nearly as well as I would like. It seems to be a major task at this particular point in time to get a grasp on all those various programs. I did spend a good deal of time in the last few days calling around and talking to people in the Commerce Department and some of the agencies that would be impacted by this program, and I was very pleased with what I heard with regard to how this money has been spent or is about to be spent under existing authorizations.

I think that bodes well for how the money would be spent under the increased authorization being proposed here today.

For instance, I found that under the job opportunities program which you are proposing to fund to the level of \$750 million in the coming fiscal year, a number of very worthwhile and desirable projects from our viewpoint will be carried out by the National Park Service, the Fish and Wildlife Service, the Bureau of Land Management, and are already underway or are about to get underway as soon as the money comes through. These include part of the great backlog of maintenance and rehabilitation projects and worthwhile development projects proposed by these agencies.

I called in the Army Corps of Engineers to see what they proposed to use this money for, and found that the things they were specifying of were all in accordance with the kind of projects we think are appropriate. They were not large capital projects. They were small projects, rehabilitation, and maintenance projects that would put people to work immediately and not have any significant impact on the natural environment.

One other specific point that I would make as a caveat to my major support of the program as proposed, first of all I again echo what Mr. Waldie said about some reservation for the 100-percent funding of projects, but I think that this should not create any problem if the people over at EDA do a good job in assessing the situations in these communities as you said, and taking a good look at the projects to make sure they are really worthwhile projects that the communities do need and which will be of benefit to a broad spectrum of people in those communities.

One other point that I think should not be a problem, but I would like to mention it as a possibility if the administration is not carried out with enough care. There is a provision for funding, giving additional funding to projects which have suffered from cost overruns. I am certainly aware of the problem that exists here. Inflation has been rampant in recent years, wages have escalated, materials costs have escalated. No doubt there are many, many very worthy projects that have been delayed or stalled because the amount of money originally planned for the project is no longer adequate because of inflation. However, I would voice one bit of caution: We are familiar with some projects, probably not the kind of projects that we are talking about here, these are larger projects, but perhaps the same principle applies, that have suffered cost overruns for other reasons.

In some cases we know of projects where the original estimate for the cost of the project was just simply incorrect. And once the project got underway and people began to see what really was going to be the cost, the cost estimate has gone up 200-300 percent. We don't think projects like that should be bailed out. They were really poorly planned projects and we hope EDA will catch those and say this is not a case of innocently getting trapped by inflation, but it is a case of poor planning.

We know of other cases where public works projects have suffered from poor engineering. As a result, the job that needed to be done was much greater than the one anticipated. So you have cost escalation there. Again I don't think that this program should be used for that kind of project. I doubt that it will.

The only other kind of projects in this category would be one that has been delayed for years because of controversy at the local level. Again I would hope that no projects that had been delayed because of questions in the community as to the value of the project for all members of the community, would slip through the fingers of EDA. I doubt that they would. Maybe if you will—

Senator MONTROYA. I think EDA has been very good about that.

Mr. PAINTER. It seems to be. It sounded encouraging, what I heard over there.

Senator MONTROYA. I know some of the problems in my own State have been analyzed by EDA and sometimes canceled because of environmental considerations.

Mr. PAINTER. I think that is about all that I have to say in terms of specifics. Again I would say we think this is a very good approach. One thing I like very much about it, which was not true of the House proposal, H.R. 5247, is that it is plugged into existing programs with H.R. 5247, we could not call up anybody and say, "How would you handle this?" With the Senate bill I could call up EDA and ask about title I, title X, and was able to find how these are now being handled, and then come back with specific comments for this committee. We knew what the taxpayers were getting into. I think this is a very excellent approach to the problem at hand.

Senator MONTROYA. Thank you very much, Mr. Painter.

[Mr. Painter's statement follows:]

STATEMENT OF BILL PAINTER, DIRECTOR, AMERICAN RIVERS CONSERVATION COUNCIL

Mr. Chairman and members of the Committee, my name is Bill Painter. I am the Director of the American Rivers Conservation Council, a national organization dedicated to the preservation of free-flowing rivers. It is a pleasure to appear before you regarding S. 1586, the Public Works Employment Act of 1975.

At the onset, let me say that our organization is in strong agreement with the goal of this legislation—reducing the high rate of unemployment we are now experiencing in this country. From our analysis of S. 1587, it appears to be a sound proposition for addressing a part of the unemployment problem, while accomplishing projects of lasting value to our society. There are a couple of aspects of the bill which give us cause for some concern, and these will be dealt with later in my statement.

First, we are in total support of the expansion of the authorization for the Job Opportunities Program to \$750 million for FY 1976. I have discussed this program with representatives of the Economic Development Administration, the National Parks Service, the Fish and Wildlife Service, the Bureau of Land Management, and even the Army Corps of Engineers. The type of projects which they anticipate will be funded in the first phase of this program are completely in keeping with the goals of our organization. We have been aware of the great backlog of development and maintenance projects in our parks, refuges and recreation areas. Much can be done to improve these facilities through a labor intensive program such as this.

The authorization of \$400 million for a program of short-term, quick impact projects is also worthy of endorsement. I understand that this will encompass street repair, clean-up projects and rehabilitation and maintenance of existing facilities, with some small new projects. We certainly feel that these kinds of projects are of much greater benefit to the jobless than large-scale public works projects which have long lead times and are capital intensive, rather than labor intensive, and can often be energy intensive as well. Our only concern about this program is that it not be used for any stream channelization project, since these might be included because they can be of short duration and relatively inexpensive. We recently had a very bad experience with the misuse of funds from an emergency program following Hurricane Agnes, in which hundreds of miles of rivers in impacted states, including my home state of Virginia, were channelized without adequate public review. (In a number of cases, the channelization worked at cross-purposes with existing federal fish stocking programs, resulting in a loss to the taxpayer as well as the sportsman.)

I hope we are correct in assuming that any project funded under this program which would have a significant environmental impact and be controversial in nature would be subject to the provisions of the National Environmental Policy Act of 1969.

We are pleased to note the automatic shut-off provision of this program which would trigger off the authorization if unemployment dipped below 6.5% for three consecutive months. We believe this is to be a most wise approach, as it prevents the expenditure of the taxpayer's money for a program that has outlived its usefulness.

The proposed increase in the FY 1976 authorization for long-term public facility projects under Title I of the Public Works and Economic Development Act of 1965, as amended also seems desirable. From our discussions with EDA, it appears that projects such as libraries, community centers, urban recreation facilities, firehouses, community health centers are most likely to receive funding. These kinds of facilities should not raise any questions about environmental impact, unless they are very poorly sited (wetlands, floodplains or other critical environmental areas), and we would hope that EDA will be able to review proposals for such flaws.

Section 12 of S. 1587 contains provisions for assisting projects which have suffered cost overruns due to increases in wages or the cost of materials and for increasing the federal share of the cost of public works projects to 100% under certain conditions. Although we understand that this can be most useful in many cases, we are a bit concerned about how this might be misapplied if not properly monitored.

Many good projects suffer from cost overruns because of the rapid rate of inflation, and should not be held back from completion because the original amount allocated is not adequate any longer. However, we are familiar with some projects that have high overruns because of poor economic planning or faulty engineering design. Many of these are inherently bad projects from an economic standpoint, and should not, in our mind, be "bailed out" by this program. Other projects have been delayed because of controversy over their value to the community, so that current cost estimates are much higher than the estimates of years ago. We would hope that no such projects would be funded under this program.

We are sympathetic to the problem addressed by Section 12(c), which allows for 100% federal funding of some projects. This should be most beneficial in most cases, especially if EDA has ample opportunity to review the projects in question. We would, however, like to raise a general philosophical question about 100% funding by the federal government of projects of local or regional significance. We have found that in the field of water resources development, cost sharing provisions have been most valuable in helping assess the true need for a project. If the people of an area truly believe they will benefit from a project, they should be willing to pay some of the cost of the project. Funding at the 100% level from the federal government can tempt people to push for a project simply because of the federal dollars to be spent in their local economy, and because of the jobs created during the construction phase, regardless of the costs and benefits of the facility itself. Good quality control on the part of EDA should control this problem, and we do feel that it is one that deserves attention.

Finally, we have no reservations about the \$200 million authorization for Title X special economic development and adjustment assistance, or the \$200 million business loan guarantee program.

In closing, we feel this bill is a sound approach to a very serious problem. We think the approach of expanding and building upon existing programs is a sound one, and we are hopeful that these programs will leave a legacy of useful and desirable facilities for communities throughout America.

Senator MONTONA. Mr. Barlow, you represent the Natural Resources Defense Council?

STATEMENT OF THOMAS J. BARLOW, REPRESENTING THE NATURAL RESOURCES DEFENSE COUNCIL, INC.

Mr. BARLOW. Yes; I will also summarize my statement, if I may.

Senator MONTONA. The statement will be made a part of the record. You may proceed to just summarize it, sir.

Mr. BARLOW. Essentially what we are asking is that language be added to the bill that would prohibit the use of any funds for the modification of water courses and the drainage of wetlands and marshes. Such language was added to the bill that cleared the committee in the House. In talking with other environmental groups about these bills as they have been coming through in the past few months, this was the only type of work that we all felt very strongly should be deleted from funding coverage by this bill.

As you will see in Bill Painter's testimony, we had a tremendous amount of trouble with the emergency funding that was approved by Congress after the hurricanes. This money went down to States such as Virginia and North Carolina—was used by the Soil Conservation Service to tear the daylight out of hundreds of miles of stream without any notice to other States or Federal authorities or even, in many cases, affected land areas.

Money was passed out through the local SCS offices to contractors on a very short notice. They would go down with their draglines and bulldozers and before State game and fish agencies were aware of what was going on, hundreds of miles of water course were devastated.

We are very wary of any language which would allow such situations to be recreated in the future. If such language as appears in the House bill were incorporated in this bill, we would be behind it 100 percent. We don't feel that these types of projects are going to cure unemployment problems in local areas to any great extent. They are not labor intensive projects. You only have one man on a dragline or bulldozer. That is all the employment provided by much of the water course modification work going on across the Nation.

These water course modification jobs are also specialized jobs. Highly skilled, highly trained people are required. These are not the types of jobs where there is an unemployment problem right now.

Senator MONTROYA. Thank you very much. I have read your statement very carefully. I feel very strongly about your concern. I will certainly bring it up before the subcommittee when we mark up the bill.

Mr. BARLOW. Thank you.

[Mr. Barlow's statement follows:]

STATEMENT OF THOMAS J. BARLOW, NATURAL RESOURCES DEFENSE COUNCIL

The Natural Resources Defense Council (NRDC) is a nonprofit environmental organization engaged in legal work for the purpose of protecting the environmental, economic and human health resources of the nation.

NRDC has offices in Washington, D.C., New York City and Palo Alto, California. We have a national membership of approximately 20,000 individuals across the nation and a working staff of almost fifty people. Through our Project on Clean Water we have been closely involved for the last four years in efforts to protect the water resource areas of our nation.

The Natural Resources Defense Council asks that language be added to the version of S. 1587 and S. 1704 which is approved by the Public Works Committee to prohibit use of any of the funds in this bill for projects which involve the modification of streams, rivers or lakes and the drainage of marshes, wetlands and riverine swamps. The value of many of the authorized but unfunded public works water resource development projects involving these activities—projects which have been authorized but unfunded for many years—have come to be seriously questioned in recent years.

The questioning of the environmental consequences of much of this watercourse construction activity as a result of the National Environmental Policy Act has begun to produce answers which indicate not just environmental resource dam-

age but economic damage as well. Watercourse areas including adjacent marshes, swamps, and wetlands have evolved efficient but fragile systems for cleansing waters of pollutants. Such systems are destroyed by watercourse modification and drainage projects and it is suspected that increases in downstream health problems such as higher rates of stomach cancer may be a result of such work. The cleansing capacity of wetlands was brought to this Committee's attention during the hearings on the Effect of Channelization on the Environment, July 27, 1971. The alarming health statistics are beginning to accumulate through the research of the Environmental Protection Agency and private groups in downstream areas such as New Orleans.

Other resource values which provide important economic benefits—values which are often destroyed by watercourse modification and drainage projects:

The floodplain marshes, wetlands and swamps adjacent to streams and rivers are often developed following the completion of channel modification and drainage projects. Yet such projects do not provide permanent flood loss protection, only temporary flood loss protection as federal project agencies usually point out in their Project Work Plans. This reality is the basis for the National Flood Insurance Program.

Fish and wildlife resources support vigorous and varied economic activities. Yet these projects destroy fishing resources and devastate wildlife populations as adjacent swamps, wetlands and marshes are drained and developed. The National Wildlife Federation reports that 40% of the nation's wetlands have already been lost. The economic consequences of further erosion of this resource base as a result of these projects needs to be more carefully weighed in this Committee's deliberations regarding this bill.

Further criticism of watercourse modification and drainage programs is found in the National Water Commission Report issued in June, 1973. The Commission noted that benefits of these projects flow to a relatively few landowners and special interests in project areas, that if the projects were economically viable at all, private capital would have funded them years ago or should be capable of funding these projects rather than calling on taxpayer dollars. Such a limited and special benefit orientation should not be supported by the hard work and authorization capabilities of this Committee, certainly not to the extent of 100% project funding as proposed in this bill.

Finally, we would point out that these watercourse modification and drainage projects are not the labor intensive projects which is the goal of these projects. One bulldozer or dragline operator can devastate a watercourse area in a very short time with the funds that will come through from this bill if passed.

Senator MONTAYA. Thank you very much, gentlemen.

We will stand in recess until 10 o'clock tomorrow morning.

[Whereupon, at 3:45 p.m., the Subcommittee on Economic Development recessed, to reconvene at 10 a.m., Wednesday, May 21, 1975.]

PUBLIC WORKS EMPLOYMENT ACT OF 1975

WEDNESDAY, MAY 21, 1975

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

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

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

Senator MONTOKA. The committee will be in order.

We begin this second day of hearings on antirecession and legislation. Yesterday the House passed the giant Public Works Employment bill of \$5 billion by a vote of 313 to 85. The President is said to be opposed because such legislation is inflationary.

This morning's Wall Street Journal says inflation is declining again. The figure now is at a rate of 8 percent from 8.5 percent. There are signs that things are not yet bottoming out. We learn of an 11 percent drop in the first quarter of the GNP, the largest since the Commerce Department has been keeping statistics.

In a news story dealing with production in this country for the coming year, today's Wall Street Journal quotes Norman Robinson, senior vice president of Pittsburgh Millman Bank, saying that, "While operating rates are way down, demand prospects are uncertain. I have never seen such a mishmash of business forecasts."

So on that note it seems that nobody is very sure of anything these days.

We begin today's hearings on what to do about people who are out of work. Our first witness scheduled for this morning was Mr. Andrew Biemiller, who I understand has gone to the hospital this morning. I certainly want to wish him well.

Mr. Goldfinger. Nathaniel Goldfinger, is here. He is director of research for the AFL-CIO. I understand that you, Mr. Goldfinger, will submit Mr. Biemiller's statement.

STATEMENT OF NATHANIEL GOLDFINGER, DIRECTOR OF RESEARCH, AFL-CIO, ACCOMPANIED BY HOWARD McGUIGAN, LEGISLATIVE REPRESENTATIVE, LEGISLATIVE DEPARTMENT, AND ARNOLD CANTOR, ASSISTANT DIRECTOR, RESEARCH DEPARTMENT, AFL-CIO

Mr. GOLDFINGER. Yes, sir, Mr. Chairman. Thank you, Mr. Chairman. For the record my name is Nat Goldfinger. I am the director of

the AFL-CIO research department. I am accompanied this morning by Mr. Howard McGuigan, Legislative representative of the legislative department of the AFL-CIO, and Mr. Arnold Cantor, assistant director of the AFL-CIO research department.

Mr. Chairman, Mr. Meany deeply regrets his inability to be here this morning. He is attending a meeting of the President's Labor-Management Committee either in the Executive Office Building or in the White House this morning.

As you said, Mr. Biemiller, unfortunately, is in the hospital and has been ill for the past number of days. He went into the hospital either last night or first thing this morning.

Mr. Chairman, the AFL-CIO is here today in support of our firm belief that the answer to our present economic mess is jobs. Put America back to work and the economic blight that affects this Nation and its people will be over, the human suffering caused by unemployment will be ended, and the budget deficits will disappear.

Senator MONTROYA. Mr. Goldfinger, I have read this entire statement. If it is agreeable with you, we will submit it for the record.

I would like to have your summary of the statement. Then I will proceed to ask you some questions since you are in charge of research for the AFL-CIO. Is that all right with you?

Mr. GOLDFINGER. Surely.

Senator MONTROYA. Fine.

Mr. GOLDFINGER. I am submitting Mr. Biemiller's entire statement for the record. I will run through the statement in an attempt to give a brief summary. (See p. 131.)

We support both bills that are before the committee. We endorse S. 1587 of the Public Works Employment Act. We urge the committee to consider an amendment to that proposal. We have always supported the economic development and public works provisions of this legislation.

We believe that the current bill before the committee will strengthen the employment situation and strengthen the economic development of these areas.

We have two specific items that we believe should be modified. We are opposed to the proposed amendment to title X of the Economic Development Act which would remove the participation of the Secretary of Labor from project review. The reason for our objection to this provision in the bill is that these projects are designed to be labor intensive. It is highly appropriate, we believe, that the Secretary of Labor be involved in that determination.

We also support the retention of the limitation on the use of funds for non-labor costs now contained in Section 1005. Once again, the reason for that is because these projects are designed to be labor intensive, except for those two suggestions, for changes in S. 1587.

We certainly endorse the proposed legislation. And we endorse the accelerated public works legislation which is up before you in S. 1704.

As you mentioned, Mr. Chairman, the House, yesterday afternoon, passed a similar bill on accelerated public works, with a \$5 billion authorization of Federal funds to State and local governments to step up public works construction and repairs for the purpose of putting America back to work. The vote was 312 to 86.

We think that this economy, Mr. Chairman, this society, is in deep trouble. We have high levels of unemployment. We have agreement even by administration spokesmen, that the level of unemployment which in the month of April was 8.2 million unemployment, or 8.9 percent of the labor force jobless, that this level of unemployment is rising and will continue to rise in the coming months.

Senator MONTOKA. Is that percentage realistic? Does it take into account those who are not receiving unemployment compensation at the present time?

Mr. GOLDFINGER. We think it is an understatement, Mr. Chairman.

Senator MONTOKA. To what extent?

Mr. GOLDFINGER. Well, the Labor Department itself reports separately that there are approximately 1.1 million people who were so discouraged that they have stopped seeking work, discouraged by the lack of job opportunities in their communities, that they have stopped seeking work and, therefore, are not included in the figures at all.

So if you add the 1.1 million to the 8.2 million officially reported unemployed, you have 9.3 million unemployed and you have a 10-percent unemployment rate.

But in addition to that, Mr. Chairman, you have extensive underemployment in this country. The Labor Department, once again, reports that there were 3,900,000 people in April who were compelled to work part time although they wanted full-time work, compelled to work part time, because full-time work was not available to them.

So that we are confronted by a very serious problem which is getting worse and admittedly getting worse with rising unemployment.

In addition to that, we have continuing inflation. Just about a half hour ago or so, the Labor Department released the Consumer Price Index for the month of April. This release reports that the Consumer Price Index went up six-tenths of a percent in the month of April, that it was up 10.2 percent from a year ago.

Senator MONTOKA. How much?

Mr. GOLDFINGER. 10.2 percent from a year ago and six-tenths of 1 percent in that 1 month of April. This is a step up. It is an increased rate from the increases in the cost of living in February and in March. So that the April rise in living costs was back to the rate of January 1975.

While there has been some deceleration in the rate of inflation, the inflation problem is far from over, despite the optimistic rhetoric that we get from administration spokesmen.

In addition to that, we are getting this widespread unemployment and underemployment.

Senator MONTOKA. The administration spokesmen who have appeared before this committee, and also appeared before me as chairman of another committee, have agreed on a figure of 7 percent as a rise in the cost-of-living index for the year. That is what they project.

In light of what happened in April, I think they are going to be way off, wouldn't you say?

Mr. GOLDFINGER. It sure looks like that because on a compound interest basis you notice over a period of 12 months, a six-tenths of 1 percent increase in 1 month, it is probably somewhere close to 8 percent for the year. It may be rising at a faster rate, later in the year, unfortunately, because we know that the wholesale prices of some basic foods have begun rising again.

The thing that kept the increased living costs down in February and in March was a 2-month decline in retail food prices. But that situation seems to have reversed, Mr. Chairman. According to the Labor Department's release this morning, the retail price of food went up four-tenths of 1 percent. But all of this means that there is an eating away, the washing out of the purchasing power of the American people and particularly of working people.

The Labor Department also released this morning a report which says that the real expendable earnings, that is, the average weekly pay of all workers, after the deduction of social security and income taxes, for a family of four, a man, a wife, and two children, that the buying power of such after-tax, take-home pay fell one-tenth of 1 percent in the month of April, fell 4.1 percent over the year, from April 1974 to April 1975.

I would suppose, Mr. Chairman, that it declined about over 11 percent from the peak which was reached in October 1972.

Furthermore, as our statement indicates, it would now take an increase in total after-tax income, that is, personal income for everybody, of over \$65 billion merely to bring the real per capita purchasing power of the American people back to where it was in the summer of 1973 before this current recession got underway.

We are in a very serious mess. This is the deepest and most prolonged recessionary decline of the American economy since the Great Depression.

Furthermore, the overall unemployment rates cover up, kind of hide the depression level unemployment rates that exist among some groups, many large groups of specific workers.

For example, Mr. Chairman, in the month of April, the unemployment rate among construction workers, according to the Labor Department, was over 19 percent. The unemployment rate among factory workers was over 12 percent. The unemployment rate among unskilled workers was over 17 percent. Among semiskilled workers it was nearly 15 percent. And the unemployment rate among blacks was 14.6 percent. The shocking thing, Mr. Chairman, was that the unemployment rate among black teenagers for the country as a whole was over 40 percent, which means that in the inner cities there are unemployment conditions which affect black teenagers to the extent of probably 60, 70, to 80 percent joblessness.

This is not simply an economic problem, a dollar and cents problem. This is a social and political problem which confronts the country with extreme danger, particularly because of the predictions of the administration in the budget report presented to the Congress and to the American people on February 3.

The administration in its budget presentation predicted high levels of unemployment, very high levels of unemployment for 1975, 1976, 1977, and 1978. In fact, it predicted and forecast the unemployment rates for those years would be the highest unemployment rate since 1941, when this country was coming out of the Great Depression.

Furthermore, the predicted unemployment rates as far as into the future as 1980, predicted in the budget report of the President of the United States, was an unemployment rate that was nearly as high as the unemployment rate of 1974, which was a recession year.

In other words, the administration's predictions are for an unemployment situation of 6 million to 8 million people unemployed for the next 5 to 6 years.

Senator MONTAYA. Let me read those projections into the record. For 1976, the projection is 7.9 percent by the administration; 7.5 percent for 1977, 6.9 percent for 1978, 6.2 percent for 1979, and 5.5 percent for 1980. That is their official projection?

Mr. GOLDFINGER. That is right, sir.

Senator MONTAYA. Assuming that it is true, it is not very encouraging, is it?

Mr. GOLDFINGER. No, it isn't. Mr. Chairman, we in the AFL-CIO are convinced, unfortunately, that the administration is determined to achieve that kind of goal. I say that in relation to what the administration has been doing in terms of the budget because we have this very serious unemployment problem.

The only way to get out of this problem and to get out of it rapidly is by the massive government programs. The tax cut which was adopted by the Congress and which the President finally and somewhat reluctantly signed into law, is not enough. We need job-creating programs such as would be provided by the bills before this committee, Mr. Chairman. We need them very badly.

It is our estimate, for example, Mr. Chairman, that the accelerated public works bill before you which would provide \$5 billion in Federal grants to the State and local governments would create directly about 250,000 jobs, half of them in construction and half of them in the production and distribution of building materials and equipment.

Senator MONTAYA. How much would those jobs generate in a multiplying way?

Mr. GOLDFINGER. It would have that multiplier effect, Mr. Chairman, as you suggest, of at least an additional 250,000 jobs. As the people who went back to work would spend their money and save their money and the businesses involved would spend their money, this would give a lift to the entire economy. These are constructive jobs. The cities and local governments have the plans. They have the blueprints. The bill provides that these funds would go for construction and repairs that are ready to go.

I mean, this would not take years of planning. These are projects and developments—

Senator MONTAYA. They are already in the pipeline?

Mr. GOLDFINGER. Already in the pipeline and ready to go and are held back because of the lack of funds. They are held back because of the lack of funds in the cities and the States and the other local governments because of the economic situation we have had in these recent years of the highest interest rates since the Civil War and of high unemployment and a loss of revenue.

In other words, that \$5 billion under the accelerated public works bill before you, Mr. Chairman, would create a total, we believe, of at least 500,000 badly needed jobs. The other bill before you would create additional tens of thousands of jobs in labor intensive activities.

We think that this kind of legislation is essential, obviously. A very large majority of the membership of the House of Representatives,

yesterday afternoon, also believes that it is essential to get this country rapidly toward full employment.

This is a very brief summary of the major points that are contained in the statement that we have submitted to the record.

I should add, Mr. Chairman, Mr. McGuigan reminds me, that one of the points that we have made in the statement submitted is that the administration's obsessive focus on the budget deficit is dangerous for the country and it is misguided because if unemployment continues to remain high, this country, this Government will continue to have large budget deficits. The budget deficit today, the budget deficit that is forecast for the fiscal year 1976, is essentially the result of the recession.

It is generally agreed that every 1-percent increase in unemployment, in the unemployment rate, increases the budget deficit by \$16 billion through a combination of approximately \$14 billion in a loss of revenue receipts to the Federal Government and about \$2 billion in unemployment benefit and other social costs to the Federal Government.

If you put it in the reverse, Mr. Chairman, every 1-percent decline in the unemployment rate would add approximately \$16 billion to the Federal Government in the sense of adding tax receipts of somewhere in the neighborhood of \$14 billion and reducing the unemployment benefit and other social costs of large-scale unemployment and poverty.

So that the way to wipe out the budget deficit, as we see it, is to bite the bullet for a series of job-creating programs that are badly needed that can wipe out the deficit in 2 or 3 years. Because if you reduce the unemployment from where it is now, from about 9-percent unemployment rate, if you were to reduce that simply to the unemployment rate that existed when Richard Nixon took office in January 1969, when the unemployment rate was about 3½ percent of the labor force or somewhat less, would produce something close to \$90 billion of additional revenue for the Government in the sense of lower social costs and unemployment benefit costs and additional tax receipts.

Senator MONTONA. Very interesting. What about the housing situation?

Mr. GOLDFINGER. The housing situation, Mr. Chairman, is a terrible mess. The homebuilding industry is in a depression. It has been in a depression for approximately a year. Housing starts in recent months have leveled off at below an annual rate of 1 million. If we have not gotten an improvement in housing starts by April, which is the most recent month for which we have information, in other words, at the beginning of the spring season, if we didn't get a much bigger increase in authorizations which are reported by the Department of HUD, and if we didn't get that by the beginning of the spring, the HUD latest report, Mr. Chairman, is that the month of April, the annual rate of housing starts was 990,000, and new private housing units authorized. It was 897,000, somewhat up from the previous month or two. But hardly up enough to mean very much in terms of the year as a whole.

If this is the situation as reported at the beginning of the spring season, then the housing industry is and will remain in very sad shape for the rest of this year.

This is a contribution mainly of the Federal Reserve under the chairmanship of Dr. Arthur Burns which produced the extremely tight money and very high interest rates which are a burden imposed on the entire economy and particularly on homebuilding, on residential construction.

Senator MONTONA. As I understand it, we have \$125 million, which was made possible by an amendment which I proposed in the Senate Appropriations Committee. In fact, my amendment was \$250 million, if you recall \$250 million, in the conference. We had to settle for \$125 million. They have now decided to spend it before June 1, after a delay of many months, since December.

Then, the other day we approved an appropriation of \$375 million additional. So that brings \$500 million into the pipeline. Then, of course, the public works bill that just passed yesterday, which is an authorization bill of \$5 billion. There is no appropriation for that yet, of course the public service jobs for which an appropriation has been made.

Now can you comment on whether or not public service jobs are going to help the really hardcore unemployed in this country, the family man with four or five children, or are these public service jobs designed to just give temporary summer employment or temporary employment to other workers that are not so afflicted?

Mr. GOLDFINGER. It is our judgment and our objective as people who strongly support the public service employment program that these public service jobs will aid the long term unemployed who are very hard pressed. For the people as you described who are family men with large numbers of dependents, we think that program is essential. We think that this accelerated public works program is also essential.

We similarly think that the EDA authorization as proposed in your bill are essential. Because we think that this serious unemployment problem has to be attacked from a number of different angles and the whole economy has to be lifted up.

The only way it can be lifted up is by the creation of jobs and the creation of income and earnings. We know of no other basic solution to this kind of problem than job creation, Mr. Chairman.

Senator MONTONA. What is the productive capacity gauge at the present time? Are we about 70 percent?

Mr. GOLDFINGER. No, it is under. According to the Federal Reserve Board, in the first quarter of this year, manufacturing industries in this country were operating at 68.3 percent of their productive capacity.

Mr. Chairman, the key major materials industries like steel, chemicals, and so forth, those industries looked at separately, according to the Federal Reserve Board, were operating at only about 70 percent of their productive capacity.

This is an accompaniment to the very serious and dangerous unemployment problem.

This means that we not only have vast amounts of idle and unemployed manpower, but we have vast amounts of idle and underutilized plant equipment and machinery.

Furthermore, with large amounts of idle plant and equipment, the result is that businessmen are postponing and cutting back their in-

vestments in new plant and equipment which have an immediate effect of reducing employment in industrial construction and among people who produce machinery and equipment.

But in the longer run this is going to have an effect on the productivity of the American economy unless it is taken care of immediately.

We need not only a sharp increase in jobs to move us to full employment, but with that increase in full employment, we would get a big increase in the utilization of plant and equipment. So that businessmen would be convinced that they could operate not only their existing plant and equipment but new and modernized productive capacity on a profitable basis.

That is the only sound way of increasing business investment.

All of this talk that we get from the Treasury Department and others, like Mr. Simon, about the great needs for new incentives and tax gimmicks and giveaways to business, in the long run the only sound basis for rising business investment—and we in the AFL-CIO are interested in seeing increases in business investments in new and additional and modernized plant and equipment—the only sound way of providing for such increases are increasing sales. That is what convinces businessmen that they can use the new capacity profitably.

Senator MONTOKA. You allude in your statement to the myth of crowding out.

Mr. GOLDFINGER. Yes, sir.

Senator MONTOKA. That is that Federal borrowing to finance a \$70 billion-plus deficit will have too little capital for private recovery expansion.

Would you elaborate on this? Does the Federal Reserve hold the key to the answer?

Mr. GOLDFINGER. The Federal Reserve holds a large part of the key here in the sense that it is the job of the Federal Reserve as a creature of the Congress to provide the American economy and the American people with a sufficient expansion of money and credit for prosperous conditions.

We are in the sad condition that we are in right now to a great extent because of the action of the Federal Reserve in slamming on the brakes, in tightening the money supply, to the point of just about no money, no expansion, no growth in the money supply and producing the highest interest rates since the Civil War.

These actions by the Federal Reserve were a major contribution, or the major immediate contribution to this recession. This sharp recessionary decline is no accident. It is the result of the genius of Dr. Arthur Burns and the Board of Governors of the Federal Reserve which went along with his policies.

Senator MONTOKA. Don't you think that the policies of the Federal Reserve Board have proven very much in error?

Mr. GOLDFINGER. I think that the events of the past 6 years and particularly the events of the past year, are proof positive of the absolute wrong headedness of the policies of the Federal Reserve.

I think that they have been permitted to get away with altogether too much in terms of inflicting real wounds, serious wounds and dangerous wounds upon this economy and this society.

Senator MONTOKA. In the absence of more affirmative and positive action by the administration and the Congress, is it your projection that the unemployment rate will continue at high levels?

Mr. GOLDFINGER. In the absence of action by the Congress and by the administration—and in the case of the administration we know what their views are because they have laid them out candidly in the budget report.

But in the absence of congressional action, for job-creating programs, we are going to have unemployment rates of 8 percent or close to it, 2, 3 years from now.

We are going to have a remaining level of 6 to 8 million unemployed for the next 5 to 6 years. This kind of prediction by the administration makes for most difficult situations, not simply a long hot summer, but it makes for pulling and tugging and tearing at the fabric of American society.

Senator MONTAYA. There is a good deal of support for proposals to help State and local governments with special countercyclical revenue sharing if they are running deficits.

What is your view of this bill; would you choose it over a public works if you had to choose?

Mr. GOLDFINGER. We don't think it is a matter of choosing one, Mr. Chairman, as against the other or choosing between these two bills and the public service employment bill.

We think that these measures are absolutely essential, that is, public service employment, accelerated public works, the EDA authorization and the aid to the cities.

We also believe that aid to the railroads for the repair of track beds and railbeds is also essential, not merely in terms of the creation of jobs but the long-term improvement of what economists and sociologists call the infrastructure of this society and this economy, the transportation system, the public services, the ability to move goods and people to where they want to go.

In addition, the New York City financial situation right now, as you know, is a most dangerous one. It is a dangerous financial situation as well as a danger to the employment conditions in the city which are in horrible shape.

Senator MONTAYA. What is the unemployment rate in New York City?

Mr. GOLDFINGER. I believe, Mr. Chairman, that the latest report was that the unemployment rate for the city as a whole was something like 12 percent or so. I may be wrong. But I think that that would mean, Mr. Chairman, that in parts of the city the unemployment situation may be two or three times as great as that overall average.

I would believe that in the ghetto areas of New York City the unemployment rate may be 30, 40 percent. Certainly the teenage black unemployment rate as we know nationally is 40 percent. So in New York City the black teenage unemployment rate may be 60 percent.

In addition to that, we have this very dangerous financial situation. If New York City is compelled to default on payments on prior bond issues, this is going to throw the money markets into some kind of panic despite the optimistic rhetoric we get from Secretary William Simon, who is another part of this administration leadership which emphasizes statistics and numbers rather than placing any emphasis on people.

That is one of the things that has been wrong in these 61½ years of the domination of economic policy by people like Dr. Arthur Burns, William Simon, and the more recent addition of Mr. Greenspan.

This is no reflection on them as individuals, as people. But this, in my judgment, is a terrible reflection on their economic views and their economic policies. I think, in economic policy terms, this threesome represents disaster for the American people.

Senator MONTROYA. Thank you very much, Mr. Goldfinger.

Mr. GOLDFINGER. Thank you, Mr. Chairman.

Senator MONTROYA. Do you gentlemen have anything else to say?

Mr. McGUIGAN. Only to say thank you, Senator, for your continued interest in this vital subject matter, and to say that these bills represent an opportunity for people to have meaningful employment at meaningful wages.

As important as unemployment compensation, food stamps and those other measures are, as much as we support them, we can't continue to make payments on houses and automobiles and other necessities of life on unemployment compensation. I sense no will on the part of the Congress to cut off unemployment compensation benefits and that is good.

But I think it would be much better if we could invest that same money in the kinds of projects which have a long-term value to our society as well as the value of restoring human dignity to those people who want to work for a living. There is a great deal more involved here than dollars and cents. There is an issue of human dignity. Thank you very much for your interest.

Senator MONTROYA. Thank you very much. Do you have anything to say?

Mr. CANTOR. No, sir.

Mr. GOLDFINGER. Thank you.

[Mr. Biemiller's statement follows:]

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF
LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF
INDUSTRIAL ORGANIZATIONS BEFORE THE ECONOMIC DEVELOPMENT
SUBCOMMITTEE OF THE SENATE PUBLIC WORKS COMMITTEE ON S. 1704,
LOCAL PUBLIC WORKS CAPITAL DEVELOPMENT AND INVESTMENT ACT
OF 1975 AND S. 1587, PUBLIC WORKS EMPLOYMENT ACT OF 1975

May 21, 1975

Mr. Chairman, the AFL-CIO is here today in support of our firm belief that the answer to America's present economic mess is jobs.

Put America back to work and the economic blight that affects this nation and its people will be over, the human suffering caused by unemployment will be ended and the budget deficits will disappear.

So we are happy to be here today for the bills under consideration are about jobs, and for that we congratulate the authors and sponsors of both bills.

The \$5 billion program authorized by S. 1704 is specifically addressed to the quick creation of jobs and we urge its immediate enactment.

Moreover, that bill is designed to provide 100 percent federal financing for essential public works programs. We feel this feature is a critically important response to the fact that hard-pressed state and local governments do not have funds available to match federal contribution.

S. 1587, the Public Works Employment Act of 1975, is also a measure which we endorse. We have always supported the economic development and public works provisions of the Public Works and Economic Development Act (of 1965) which would be strengthened by S. 1587. We also welcome the added funds that would be provided for the Job Opportunities Program (\$750 million).

We support this measure which provides \$5 billion for emergency accelerated public works programs plus the added funds provided under S. 1587 for the JOBS program, longer term public works projects and the other economic development measures included in that bill.

Let me cite two specific items in S. 1587, before going to a general discussion.

We are opposed to the proposed amendment to Title X of the Economic Development Act which would remove the participation of the Secretary of Labor in project review. Since these projects are designed to be labor intensive, it is highly appropriate that the Secretary of Labor be involved in their determination.

We support the retention of the limitation on use of funds for non-labor costs now contained in Section 1005, again because these projects are designed to be labor intensive.

It is our contention, Mr. Chairman, that federally-financed job and income creating measures are needed on a scale that is:

(1) large enough to pull the economy out of its deepest and most prolonged decline since the 1930's; and

(2) large enough to put an end to the misery and waste, the social tensions and dangers that arise when millions are told that what they have to offer -- their skills and their talents -- is neither needed or wanted.

Over the past several weeks, virtually every bit of bad economic news has been accompanied by optimistic little metaphors proclaiming that there are "patches of blue in the cold wintry sky" and "light at the end of the tunnels." And, we are told by the pundits that we must "go slow" and "hold the line" because somewhere in 1977 or 1978 the spectre of inflation is lurking.

Last month, according to the Labor Department, more than one out of seven workers had a serious employment or underemployment problem. There were 8.2 million workers or 8.9 percent of the labor force officially counted as unemployed; 1.1 million other workers had given up the search for work because they knew there were no jobs. That amounts to 9.3 million or 10 percent. In addition, 3.9 million workers were on part-time schedules receiving part-time wages because full-time work was not available. Thus, there were 13.2 million unemployed and under-employed workers in April.

Moreover, even the most optimistic Administration officials admit that unemployment will continue to climb higher in the coming months.

Nevertheless, after these shocking figures were issued, the President said "I think that we're at the end of the recession."

Well, Mr. Chairman, we don't look at the recession in terms of some academic formula. We look at it in terms of employment and the suffering of jobless people. And, in those terms, the end of the recession is not in sight.

The present state of affairs of the American economy is one of vast amounts of idle manpower and idle plants, machinery and productive equipment. Never, in the years since the end of World War II, has there been such a huge amount of unemployed

and underemployed manpower and unused and underused productive capacity. Never, in all those years, has there been so much waste - waste of human and economic potential.

The number one need, therefore, is to get America back to work, now. The key issue is the need for jobs.

A meaningful, accelerated public works program of at least \$5 billion, like that reported out by the House Public Works Committee would mean work for many thousands. It would add to the current deficit -- but only temporarily. In fact, it would be an investment in America - an investment based on confidence in the nation's ability to solve its problems through raising its sights.

Let me remind those who see only the deficit, that raising employment will cut the deficit and full employment will produce a budget surplus.

Just over 13 years ago, the AFL-CIO urged enactment of the Public Works Acceleration Act which President Kennedy signed into law on September 14, 1962.

That bill, too, was about jobs -- jobs needed to continue the recovery from the 1960-61 recession.

Let me compare the history of that recession with the current economic emergency.

In 1962, four million Americans were unemployed -- 5.5 percent of the work force. Unemployment during that recession "peaked" at 7.1 percent of the labor force in mid-1961.

Last month's reported 8.9 percent unemployment rate means that unemployment has been higher than the 1960-61 recession peak level for five consecutive months, and since January it has been higher than anytime since 1941.

In 1962, the recession had already "bottomed out," and the challenge facing the Congress was to assure that the recovery would not lose steam as it did in 1957-58; thus setting the scene for yet another downturn. Today's task is much greater.

The current economic crisis is worse than any of the post-World War II recessions. The challenge facing the Congress today is to halt the decline, start the recovery and put America back on the road to full employment.

To bring America out of the 1960-61 recession -- to bring unemployment down from an average of 6.7 percent in 1961 to 4.5 percent in 1965 -- the federal government had to take massive fiscal policy actions.

For example, the \$14 billion tax cut enacted in 1964 was equivalent to 20 percent of the corporate and individual income tax receipts for that year.

The tax cut enacted in March -- even though it is the largest in dollars in history -- is equivalent to only 14 percent of the expected 1975 income tax receipts from individuals and corporations.

And there are major differences between 1962 and today.

In the 1960's, there was leadership from the Executive branch and resolve on the part of Congress to restore economic health to America and put Americans back to work.

Interest rates were less than half current levels and the Federal Reserve Board was actively pursuing policies to strengthen the recovery.

Today, the task of recovery is much more difficult. The economy is three times larger than it was in 1962. The work force is 30 percent larger. The number of people unemployed is almost double. And the economy is in far worse shape. It would, for example, now require an increase of \$65 billion in after-tax personal income merely to bring the per capita purchasing power of the American people back to where it was in the summer of 1973, before the recession started.

In 1962, we endorsed a \$1 billion accelerated public works program. Today, we ask for at least \$5 billion.

That would create at least 250,000 jobs directly -- jobs that mean paychecks, purchasing power and tax revenue -- to the federal government as well as hard pressed state and local governments.

According to Labor Department estimates, about half of the jobs would be in construction -- an industry that is in a severe depression with nearly one in every five workers unemployed. Since the depression in the construction industry dragged the rest of the economy down, an absolutely essential first step in economic recovery is restoring economic health to the construction industry.

The jobs created would be in those areas where they are needed the most -- areas of persistent, substantial unemployment. Financially strapped state and local governments would be helped to build, repair, replace and expand essential public facilities.

The 1962 law provides an excellent history as to how this legislation would work.

Under that program, local government could receive federal grants of between 50 and 75 percent of project costs, depending upon the severity of unemployment.

It required that on-site work had to begin within 120 days of project approval.

Just over half of the grant funds -- \$461 million -- were used to assist in 3,250 projects by the Community Facilities Administration of the Housing and Home Finance Administration.

More than half the funds were used for sewer and water projects, one-fifth for streets and related facilities, and the balance for community and administrative buildings, libraries and auditoriums, recreational and health facilities, reservoirs, airports and so on.

The remainder of the funds -- \$390 million -- went for hospitals and sewage facilities and for direct work on conservation and recreation projects.

The 1962 legislation was an investment in America. It created jobs and after the jobs were completed, the citizens of this country had additional and improved public facilities, which are still being used.

Most importantly, the work began quickly.

Within 2½ months after the first appropriation passed, nearly 1,500 projects were approved. In less than nine months, more than 4,000 projects were approved. In July and August of 1963, the two months immediately following the second appropriation, more than 2,000 projects were approved.

In other words, 44 percent of the projects were approved within 60 days of the appropriations and, one year after the first funds were appropriated, 3,600 projects were under way or had already been completed.

On-site employment created by the projects grew steadily and quickly -- from 3,800 on-site jobs in November 1962 to 35,000 jobs by June 1963. On-site employment reached peaks of 40,000 in November 1963 and 45,000 in June 1964.

And that is only on-site jobs. Department of Labor studies show that for every on-site job that is created, another job is generated in off-site work and in production, distribution and transportation of construction materials and supplies.

That was the experience of the 1962 law. But times are different and S. 1704 differs in several important aspects.

The authorization is five times larger, because the need is at least that great. If fully funded, this bill would create approximately 250,000 jobs -- 125,000 on-site jobs and 125,000 off-site jobs.

Those 250,000 paychecks would generate up to an additional 250,000 jobs -- according to our estimates -- as the added purchasing power works its way through the economy.

Of course, paychecks also mean tax revenue to the federal government, states and localities. Workers who have decent jobs aren't drawing unemployment compensation or welfare. And that cuts the costs of government.

So American knows from historical fact that investing in this country pays off. But instead of considering investment in the nation's future, the scare mongers in the Administration talk only about the budget deficit. They talk, like accountants, only about dollars. They never talk, like leaders about the people and their needs.

President Ford clearly spelled out the Administration's priorities when he submitted his budget. He predicted 7.9 percent unemployment in 1976, 7.5 percent in 1977, 6.9 percent in 1978, 6.2 percent in 1979, and 5.5 percent in 1980. That means, including this year, 4 consecutive years of the highest unemployment rates since 1941. It means 5 solid years in which 6 to 8 million workers or more would be jobless.

Those who accept those predictions as an economist's model, or as Arthur Burns puts it, "the culminating phase of a long economic cycle" can afford to be optimistic. Mr. Burns apparently feels that being a participant in the "culminating phase of a long economic cycle" is a substitute for a job.

To us, this blueprint for America, is based on a single-minded obsessive focus on the dollar deficit in the federal budget and it could spell disaster.

The President made this all too clear when he reluctantly signed the emergency tax cut into law. At that time, he said: "This is as far as we dare go." He wasn't referring to the unemployment rate. He wasn't even referring to the huge drops in production and purchasing power and living standards that had taken place. He was pointing only to the projected budget deficit.

Unfortunately, many members of Congress as just as short-sighted. They too ignore the fundamental facts about how the American economy works and, more important, they ignore what happens when the economy is not working. Hard facts, Mr. Chairman, not myths and not fantasy.

The budget deficits over the past six years have been huge. In fact, during the years from fiscal 1970 to 1975 there was a deficit in each year, and these back-to-back deficits add up to \$109.6 billion. That's twice as much as the accumulated net deficit of the previous 23 years, 1947 to 1969.

But these deficits were not the result of government waste or excessive federal spending. They were clearly and directly the result of 6-1/2 years of misguided economic policies. There was the deliberate engineered recession of 1969-1970 followed by an unbalanced, short-lived, politically spurred "recovery" which set the stage for the present crisis which so far has lasted twice as long and cut twice as deeply as the 1958-1959 recession.

That is why there are budget deficits.

Each one percent increase in unemployment adds about \$16 billion to the deficit because federal revenues drop and certain expenditures -- such as unemployment compensation and public welfare payments -- go up. Attempts to slash or underfund job-creating programs -- to make up for crisis-created cuts in revenue -- are like trying to put out a fire with gasoline.

Even the President candidly admitted:

"Aside from the effects of the proposed tax reduction, the deficits anticipated for 1975 and 1976 are largely the inevitable result of those aspects of the budget and the tax system that respond automatically to changes in the economy, such as budget receipts and unemployment benefit payments... If the economy were to be as fully employed in 1976 as it was in 1974, we would have \$40 billion in additional tax receipts, assuming no change in tax rates and \$12.7 billion less in aid to the unemployed. These two factors alone exceed the budget deficit for 1976."

The House Committee on the Budget said: "...the largest single cause of the deficit is the recession itself..." and "If the unemployment rate could be reduced to 4.2 percent during all of fiscal year 1976, the budget would be substantially balanced."

The Senate Committee on the Budget noted: "Expanded government programs account for only a small portion of the fiscal 1976 deficit. Most of the deficit is a result of reduced revenues" and "the only way to stop deficit spending is to bring the economy back to something close to full employment."

Now there's a new myth, the myth called "crowd out." According to that bogey-man, private borrowers will be "crowded out" of the money markets because of the need to finance public debt.

The fact is that because of the depressed state of the economy, consumers and business have trimmed their spending investment and borrowing plans so drastically that even the Treasury Department analysts admit that the debt can be financed without any problems.

Then there's the perennial myth about large federal deficits causing inflation. Well, there's some truth to that at a time when the economy is working at full capacity and can't produce anymore. But, if that were the case, we would not be here today considering emergency measures to put America back to work. Clearly, the nation is hardly maximizing its potential when over eight million workers are unemployed; when the nation's factories are operating at 68.3 percent of capacity and when an industry, such as housing, which 3 years ago was producing 2.4 million units a year is now building less than 1 million units and when one in five construction workers is unemployed.

Let's look at the federal government's ability to handle borrowed money. There are some tables attached to this statement which we feel should make even the most conservative, thrifty-minded individual sit up and take notice.

Table I shows that in the year ended June 30, 1974, the publicly-held federal debt amounted to less than 26 percent of the nation's gross national product. In 1947, after the end of World War II, the debt actually exceeded GNP by \$6 billion and by 1960, the debt was down to 47.9 percent of GNP.

Even with the \$42.8 billion deficit now expected in the year ending this June 30, the debt would amount to under 30 percent of GNP. For fiscal 1976, according to the projections, even a \$100 billion deficit would mean that the nation's annual income is over three times as much as its debt.

Very few individuals or businesses can boast an annual income equal to three times their debts.

Table II also sheds some important light on the comparison between federal borrowing and corporate borrowing in the same period. Corporations have increased their borrowing at a far faster rate than the federal government. And the federal government's debt has dropped substantially and continuously.

No one can deny that this economy, this society is in deep trouble. The difference between the federal government's receipts and expenditures -- the budget deficit -- is not in any way, shape or form, a cause of the trouble or a measure of its depth.

Economic progress in America has been at a standstill or worse for 6½ years. How many more years of joblessness, of allowing cities to deteriorate, of short-changing public investments can the nation stand and still maintain its basic strength and vitality?

We have absolute confidence in the ability of this nation's economy to recover from this current economic emergency, but only if it is given the opportunity to grow and expand.

The Congress must provide these opportunities and enactment of these bills, with the changes we have proposed, would be a major step.

TABLE II

Relationship of Federal Debt Held by the Public
and Corporate Debt
to Gross National Product

Calendar Year	Gross National Product (Bills. of \$'s)	Corporate Debt % of GNP	Federal Debt % of GNP
1947	\$ 231.3	47.1%	95.8%
1948	257.6	45.7	83.6
1949	256.5	46.0	84.8
1950	284.8	49.9	76.3
1951	328.4	49.5	66.0
1952	345.5	49.5	64.1
1953	364.6	49.2	62.2
1954	364.8	50.1	62.8
1955	398.0	53.3	57.7
1956	419.2	55.3	53.5
1957	441.1	55.9	50.6
1958	447.3	58.0	51.6
1959	483.7	58.6	49.9
1960	503.7	60.1	47.6
1961	520.1	62.4	47.4
1962	560.3	62.1	45.3
1963	590.5	63.7	43.6
1964	632.4	64.8	41.7
1965	684.9	66.3	38.9
1966	749.9	67.6	36.2
1967	793.9	69.7	36.1
1968	864.2	73.1	33.8
1969	930.3	78.9	31.1
1970	977.1	81.6	30.8
1971	1,054.9	82.4	30.9
1972	1,158.0	84.5	29.5
1973	1,294.9	85.8	27.0
1974	1 397.4	(Not Available)	25.8

Source: U. S. Department of Commerce GS Published in the
Economic Report of the President, February 1975

Senator MONTONA. Mr. Robert Georgine, president of the building and construction trades department.

Mr. Georgine, if it is agreeable with you, we will incorporate your statement in the record. You may proceed to summarize it. Then I will ask you a few questions.

[The statement appears at p. 147.]

STATEMENT OF ROBERT A. GEORGINE, PRESIDENT, BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO, ACCOMPANIED BY DANIEL MUNDY, LEGISLATIVE DIRECTOR, LEGISLATIVE DEPARTMENT, AFL-CIO

Mr. GEORGINE. Thank you, Mr. Chairman. As a matter of fact, we are certainly in full concurrence with most of the previous testimony that was given by Nat Goldfinger.

I do have a short statement that we will summarize. It will summarize our position.

Seated with me is Dan Mundy, the legislative director of the building trades department of the AFL-CIO.

Mr. Chairman, for the record my name is Bob Georgine. I am president of the building and construction trades department of the AFL-CIO, which represents 17 international unions with over 3½ million members.

The tradesmen I represent are some of the most highly skilled in this country. They have spent long hours studying their trades. These men are craftsmen. But they are also builders.

These men take pride in their work. Through their ingenuity and resourcefulness, they have helped to build America. And they want to continue to build for this country.

But this is no longer possible. Some of this country's most skilled and productive workers are putting down their tools for lack of work. Many are quitting the industry.

Our men want paychecks, not welfare checks. Nothing is so demeaning, so degrading, so humiliating as to be unemployed in a society which prides itself on industriousness.

Today over 1 million construction workers are presently unemployed. Another 1½ million are directly unemployed. This accounts for our one-third figure.

The continued high rates of unemployment in the construction industry and its related industries will only maintain and augment the national employment problem.

Our country's construction industry is in a deep depression. The housing industry has collapsed. There are vitally needed energy-expansion programs. Commercial construction has also dropped off dramatically. Highway construction has virtually dried up.

The most recently available statistics given for 1975, unemployment for the month of April in the construction industry, was a staggering 19.3 percent. There is little doubt that the construction activity has been affected more drastically than any other sector of the economy during the current recession.

Business cycles are not a new phenomenon. We have all witnessed a natural sequence of good times followed by bad or boom by bust, of prosperity by stagnation. But if the business cycle is a part of our

society, it is also a danger to it. The cycle may be interesting to the economist, a burden to the businessman, and a rallying cry for the politician. But to the worker, it is a catastrophe. It is a long period of idleness, of shrinking income, of public charity, and of despair.

The hallmark of cyclical swings in employment is the underutilization of men and material. People who want to work are denied the opportunity to do so. Factories and capital equipment lie idle. Money stagnates as banks, other lending institutions, and individuals prepare to weather the storm by contracting purchases and lending.

An effective public works program can be used to facilitate the reemployment of our human and economic resources. Public works programs pump money into the economy when investment demand for capital is low, thereby minimizing inflationary pressures. They can also be directed to those which have been particularly hard hit.

The chief benefit of an effective public works program is that it can help to revitalize the construction industry. A boost for the construction industry will produce large savings in lost Federal revenues and unemployment compensation payments.

All told, the Federal Government would reap returns well over the actual expenditure level for the public works program. It is estimated that a \$5-billion investment in public works will directly create 250,000 jobs. The Joint Economic Committee says that \$14 billion in additional national production would be stimulated within the first 24 months after enactment. Two-thirds of this increased production would occur in the first year.

The need for countercyclical spending is apparent. However, appropriations under such a program should not be looked upon as expenditures at all. They are not for a huge relief operation. They will not create a vast boondoggle—what has been referred to as leaf raking. The salvation of millions of lives is the high purpose of public works proposals, and the purpose makes any reasonable expenditure worthwhile.

These human resources, men and women, are the most necessary and the most important part of our strength. It is to them, to their skills, to their pride and to their belief in our system, that we entrust our future.

There are two bills presently before this committee, Senate bills 1704 and 1587. The Building and Construction Trades Department is already on record in full support of H.R. 5247, the House counterpart to S. 1704. This bill, which passed the House yesterday, specifically addresses the problems of the construction industry.

It authorizes \$5 billion to fund 100 percent of the cost of local public works facilities. Not only will this bill put people back to work, but it will also mitigate the financial strains of many communities.

For these reasons the Building and Construction Department has strongly supported H.R. 5247.

The building and construction trades department has no major quarrel with the intents of the Employment Act of S. 1587. However, given the severity of the construction industry's plight, we think this bill falls short in providing the aid required. If the economic situation were different we could wholeheartedly support this piece of legislation. Our primary concern is that it authorizes an insufficient level of

funding. The funding is not solely earmarked for programs that will aid the badly depressed building industry. The bill authorizes \$1,875,000,000 for obligation during fiscal year 1976.

It should be clear from my remarks before the committee that this amount is inadequate. Moreover, large amounts of this money are designated for special adjustment assistance—\$100 million; for business loans—\$125 million; and long-term public works—\$250 million. These programs involve \$475 million, which could be spent to put workers back on the jobs.

This bill also increases the authorization of the job opportunities program by \$750 million. Because of the structure of this program, we estimate that only between one-half and two-thirds of this money will be spent on construction projects. The remainder will go for leaf raking, tree trimming, et cetera.

I might also add that the building and construction trades department has had to protest the recent use of some title 10 moneys.

I would like to submit at this time for the record, a letter we have forwarded to Secretary Dunlop, detailing the nature of this problem.

Senator MONTOLA. I believe you are in error about title 10. That money is not going to be out of the projects under—title 10 will be funded about June 1. There has been no funding under title 10 as yet.

Mr. GEORGINE. This is the CETA money that we are actually talking about here. That has been funded. That program is being abused at this time. It is not being administered properly. The funds are being used on projects that would have been done by contractors at the prevailing rate and are now being done at a much lower rate.

We have that letter. I would like to submit it to you for the record.

Senator MONTOLA. Fine.

[The letter follows:]

MAY 15, 1975.

HON. JOHN DUNLOP,
Secretary, U.S. Department of Labor,
Washington, D.C.

DEAR SECRETARY DUNLOP: Pursuant to a meeting which was held on Friday, May 2, 1975 between myself, Frank Burkhardt of the Painters Union, Tom Dunn, our Legal Counsel and William Kilberg, Solicitor of Labor, as well as Counsels for Davis-Bacon, Wage and Hour and a representative of the Manpower Administration, we are enclosing for your review several areas of concern within the federal Comprehensive Employment and Training Act.

On April 29, 1975, the International Brotherhood of Painters and Allied Trades addressed a letter to Senator Javits in response to certain questions he had with regard to our position on public works programs in general. That letter, along with the enclosures, is attached.

Our basic concern, as we discussed with the Solicitor, was that CETA presented several problems for building tradesmen in various cities. We have reason to believe that the program agents and certain sponsors of CETA monies are utilizing the money for projects that would have otherwise been offered for competitive bidding by private, profit-making organizations. These state, county and municipal governments are utilizing this money for capital improvement projects with total disregard of Davis-Bacon and without any net benefit to workers in society. Many of the projects involve employing building tradesmen at a rate much lower than would have been the case had the work been let to bid by contractors.

Examples of this situation appear in the attached April 29 correspondence to Senator Javits.

1. The cities of Cicero and Berwyn in Cook County, Illinois are utilizing CETA monies to paint public buildings. These buildings in the past have been repainted by private contractors. At present they are being repainted by tradesmen who

are classified as "maintenance men" and "laborers". In past years this work was let for competitive bidding by private contractors.

2. Franklin Park, a suburb of Chicago, is utilizing CETA monies to remodel the village, in building construction offices for the building and fire departments and is starting to install a sprinkler system within the community. The work would not have been done under the current budget of Franklin Park and had it been done, it would have gone to private contractors who would have paid the prevailing wage rate (See attached Exhibit III).

3. The School Board of Pontiac, Michigan is or has applied for CETA monies to repaint the entire school system as well as to perform other contract-like maintenance alteration and repair work.

4. Westchester County, New York has launched a public service program with Title VI CETA money and is paying its workers for these capital improvements at substandard wages.

A number of questions were raised at our meeting with Solicitor Kilberg and we ask your interpretation with regard to these items.

1. Under Title I and II money, the wage standards provide for the maximum of the federal—state minimum law or the prevailing wage paid to public employees currently performing similar work. Query—if the work contemplated involves a substantial increase in employment, for example, 10 times as many employees performing the work as are currently employed by the public agency and the work could not have been normally done by the current work force of the public agency and hence, would have been let to public contract, why then should a few maintenance painters employed by a public agency dictate the wage rates to be paid to a massive number of workers hired to complete a CETA project?

2. Is it necessary that the public agency requesting CETA monies have an "existing" contract for that type of work before Davis-Bacon applies or is it your interpretation that if the work had typically been let to outside, private enterprise contract that that criteria is sufficient for Davis-Bacon for the intended project?

3. How does the Labor Department decide a "maintenance of effort" on the part of sponsors of CETA monies?

4. Under Title VI, the triggering mechanism for Davis-Bacon is excessively high unemployment. If the unemployment rate for all private non-agricultural workers is only 6 percent and the unemployment rate for construction workers is 30 percent (as it is in many cases), is this considered excessively high unemployment and hence, trigger the protections of Davis-Bacon against competition that would force substandard wages on construction workers?

5. Since the Building Trades Department is still trying to find out the impact of this particular Act, we would appreciate your comments and interpretation as to possible restrictions which are placed on the application of Davis-Bacon that may appear in sections of the Act which we have not touched on in this letter.

The purpose of this letter is to seek your help in determining whether the projects mentioned in the first part of this letter are bona fide CETA projects being carried out under the law and to secure your interpretation of the questions raised in the latter part of this letter.

Sincerely,

ROBERT A. GEORGINE, *President.*

Senator MONTÓYA. You heard my statement a while ago that beginning June 1, the EDA will start spending \$125 million. Of course, the House approved \$375 million the other day, which is now on the President's desk, I believe. I don't know what he might do. He might veto it. If he doesn't, we will have \$500 million, plus the revenue sharing is going to the cities, part of which can be used for public service employment.

The cities, up to now, have not used any of these revenue sharing funds for public service jobs. They have depended strictly on public service appropriation. But they can use up to 80 percent of revenue sharing for additional public service jobs.

In other words, altogether, under revenue sharing for public service jobs and under the public service jobs appropriation, there is close to \$4 billion available. That \$4 billion is being distributed.

Mr. GEORGINE. Well, we are all for public service jobs. We don't think that the greatest impact can come from public service jobs.

Senator MONTÓYA. I have stated that right along. Public service jobs are not the answer to the unemployed situation in this country. In my opinion, public service jobs, do not touch or become available to the very hardcore unemployed. That is a man who has been in construction and has a family of four or five, or the laborer in construction. They are the people that are really suffering in this recession. They can't find jobs unless they go back to the construction industry and find jobs there. Would you agree with that?

Mr. GEORGINE. Very much. We have over a million construction workers out of work. They have no place to go. Most of them are close to exhausting their unemployment compensation.

Senator MONTÓYA. Where are these people going as they leave the construction industry?

Mr. GEORGINE. They are trying to find jobs in other industries. There are no jobs. You just have hardcore unemployed. If you look for hardcore unemployed, we have got them.

Senator MONTÓYA. How many carpenters would you say are out of work in this country?

Mr. GEORGINE. Right now, I would say about 20 to 25 percent, which would be about 200,000, probably. That is just carpenters.

Senator MONTÓYA. The administration has really no programs to stimulate the construction industry. Yet it is the largest of all the industries. Do economists all agree to reviving the construction industry as being a high priority?

Mr. GEORGINE. I haven't heard anything to the contrary.

Senator MONTÓYA. But the economists downtown are not giving much emphasis on this very dire need?

Mr. GEORGINE. That is the problem.

Senator MONTÓYA. I interrogated some of the administration spokesman yesterday. They are depending on the forces within the economy to right the ills in the economy, thus, eventually provide employment. Their projections timewise are—well, they just don't have any projections on this. They just have hope.

Mr. GEORGINE. If you leave it to hope, you are going to have unemployment in the construction industry. That is going to be 25 percent and more. If construction doesn't pick up, if the construction industry doesn't get some adrenalin shot into it, this whole economy is not going to pick up. This economy revolves around the construction industry.

Senator MONTÓYA. What is the low-interest rate passed by the Congress doing with respect to the stimulation of the construction industry?

Mr. GEORGINE. Are you talking about the Brooke-Cranston bill?

Senator MONTÓYA. Yes.

Mr. GEORGINE. It is not doing anything. There are no takers for it. The interest rates are too high—8-percent-interest rates are too high for housing today. You would have to get down to the 6-percent level if you are going to stimulate housing. As Nat said earlier, we have got less than 1 million starts per year now. That isn't enough to keep up with the needs.

Senator MONTÓYA. We know today there are funds for construction type activities in-house, \$2.3 billion unobligated for 1975; EPA, \$13.4 billion unobligated through 1976; Farmers Home \$900 million committed, but construction not started; FHWA, Federal Highway Administration, \$9.9 billion apportioned, but unobligated Federal highway funds; Urban Mass Transit, \$4.2 million estimated for 1975 and 1980. If we could accelerate these programs would we be doing enough to assist the construction industry or would we still need other public works spending? Has the AFL-CIO looked into the delays on these program?

Mr. GEORGINE. Certainly. Talking about EPA and highway, that money was impounded. If it wasn't for the Supreme Court, the money would still be impounded.

The problem with EPA money is it is a 75-25-percent proposition. The localities would have to put in 25 percent. It is tied up in redtape and all the problems that go with bureaucracies. The public works bill can help us in that particular aspect. We can get some of those jobs going. When you are talking about 100-percent funding, you are not depending upon the municipalities in the local cities. The problem right now in EPA funds, is they are not using them.

They are now free. The jobs are sitting there ready to start and you have got people out of work. That is why we need this bill so badly.

Senator MONTÓYA. Thank you very much, gentlemen.

Mr. GEORGINE. Thank you, Mr. Chairman.

[Mr. Georgine's statement follows:]

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STATEMENT

OF

ROBERT A. GEORGINE, PRESIDENT

BUILDING AND CONSTRUCTION TRADES DEPARTMENT, AFL-CIO

BEFORE

THE SENATE PUBLIC WORKS COMMITTEE ON S. 1704

THE LOCAL PUBLIC WORKS, CAPITAL DEVELOPMENT AND INVESTMENT ACT OF 1975

WEDNESDAY, MAY 21, 1975

Mr. Chairman and members of the Committee, my name is Robert A. Georgine and I am the President of the Building and Construction Trades Department of the AFL-CIO, which represents 17 International Unions with over 3-1/2 million members.

The tradesmen I represent are some of the most highly skilled in this country. They have spent long hours studying their trades. They have invested many years of their lives gaining the experience necessary for their work. These men are craftsmen. But they are also builders. They install the water facilities, build the highways, construct the mass transit systems, erect the public buildings and put up the energy facilities this country so badly needs.

These men take pride in their work. Through their ingenuity and resourcefulness, they have helped to build America. And they want to continue to build for this country.

But this is no longer possible. Unemployment in the building industry has reached scandalous levels. Some of this country's most skilled and productive workers are putting down their tools for lack of work. Many are quitting the industry.

Our men want paychecks, not welfare checks. Nothing is so demeaning, so degrading, so humiliating as to be unemployed in a society which prides itself on industriousness.

The construction industry is in a state of shock. Disaster upon disaster have sent the industry to its knees: an energy crisis, materials shortage, stagflation and a money crunch.

Construction activity has plummeted. By March, expenditures for construction put-in-place were over 17 percent below a year

ago. Even more alarming are the figures for future work. On May 1, the Dodge Division of McGraw Hill reported that contracts for future construction in March were 15 percent below a year ago. When adjusted for inflation, this is an unbelievable drop of 27 percent.

As present work under construction is completed, the situation will only become worse. Unemployment will mount; bankruptcies will grow, and the construction industry will sink lower into the depths of depression.

The construction industry is fighting for its breath. Contractors and workers alike are struggling, with no relief in sight.

Unemployment for the month of April in the construction industry was a staggering 19.3 percent when seasonally adjusted. This translates into 832,000 unemployed construction workers. The seasonally unadjusted figures are even more frightening -- over 1,000,000 men out of work.

Time after time, the extent of the present depression has been played down. These figures indicate that the construction industry is not showing signs of turning around. The downturn has not yet moderated. Instead, the plight of the construction worker continues to deteriorate.

Even worse, unemployment is a lengthening problem. The number of workers idled for twenty weeks or more is over 225,000.

Underemployment is an equally grave problem.

According to Labor Department studies, the average full-time (more than 700 hours) construction employee works 1,200 hours at his trade each year -- at least 800 hours less than the average industrial worker. The past year has seen the average number of hours worked per week by a construction worker consistently decline. Due to scarcity of work, many local unions are being forced to adopt shorter work weeks. Nevertheless, these workers are counted as employed.

The construction industry has been a victim. It has been a victim of deliberate and reckless economic policies -- policies which by their very nature spelled instant doom for construction.

The simple unvarnished truth is that over the past eighteen months, the Federal Reserve Board, the Office of Management and Budget, and the Council of Economic Advisers have pursued policies designed to bring inflation under control by deliberately choking the construction industry through high interest-tight money policies, by freezing many housing construction programs, by cutting back on other federal construction programs, and by defiantly impounding many billions of dollars of funds contrary to the intent of Congress.

The future looks no better. The Administration has not shown any signs of taking the necessary course of action. The President and his economic advisers seem to prefer a protracted depression in the economy, as reflected in the budget assumption of a 7.9 percent unemployment rate for fiscal year 1976. The rationale for the Administration policy is that if large Federal deficits have to be financed by borrowing after economic recovery

is under way, it could spark an increase in the rate of inflation; there would also be a rise in interest rates and the economic recovery would be aborted.

The point to be recognized is that the massive federal deficits forecast for this year stem directly from the economy's depressed state.

The deficits anticipated for 1975 and 1976 are largely the inevitable result of those changes in the economy, which affect budget receipts and unemployment benefit payments. If the economy were merely at the 1969 levels of employment, the fiscal year 1976 budget submitted by the President would have shown a \$12 billion surplus.

A set of policies aimed at holding down federal deficits will in the long run only result in larger deficits. If the economic stimulus provided by the Administration's proposals isn't sufficient, we may be saddled with a bankrupt economy and massive federal deficits for years to come.

The President's own forecasts bear out this gloomy prediction. Unemployment is to remain excessive. The working man will continue to pay the price of those misguided economic policies.

The economy will lose countless billions of dollars in goods and services because of underproduction. And inflationary pressures will increase because of the rise in unit costs associated with the decline in production.

Throughout the economic history of this country, our national leaders have tried countless different solutions to the problem of unemployment. These remedies have ranged the entire spectrum of economic theory.

One program which has weathered the ups and downs of economic thinking is that of public works. Time after time, the Federal Government has relied upon the construction of public works to reverse high rates of unemployment.

Counter-cyclical spending programs to aid the construction industry, and therefore the entire economy, have long been known by economists to be extremely effective anti-recessionary measures. The construction industry is a key indicator of and contributor to this economy's well-being. Economic downturns often lag by three to six months a slump in construction activity. An economic recovery is more often than not foreshadowed by a pick-up in building. All four of the most recent recessions have been preceded by a revival in construction.

The reasons for the construction industry's close relation to business cycles are clear. The building industry is this country's largest industry. Over six million workers are employed directly in construction. It has been estimated that the total number of workers employed both directly and indirectly is nearly 15 million workers.

Over one million construction workers are presently idle. Another one and one-half million are indirectly unemployed. This accounts for approximately 30 percent of this nation's overall unemployment. Continued high rates of unemployment in the construction industry and its related industries will only maintain and augment the national employment problem.

Business cycles are not a new phenomenon. We all have witnessed the natural sequence of good times followed by bad, of boom and bust, of prosperity and stagnation. But if the business

cycle is a part of our society, it is also a danger to it. The cycle may be interesting to the economist, a burden to the businessman and a rallying cry for the politician. But to the worker, it is a catastrophe. It is a long period of idleness, of shrinking income, of public charity and of despair.

The hall mark of cyclical swings in employment is the underutilization of men and material. People who want to work are denied the opportunity to do so. Factories and capital equipment lie idle. Construction is dormant. Money stagnates as banks, other lending institutions and individuals prepare to weather the storm by contracting purchases and lending.

If a man is allowed to lose his self-respect because of society's rejection, both society and the man suffer. Society is the loser because it must now support the man in one fashion or another. The man suffers because he can never fulfill that destiny which is an integral part of the nation -- to live in a manner that will befit his dignity.

An effective public works program can be used to facilitate the re-employment of our human and economic resources.

Public works programs pump money into the economy when investment demand for capital is low. Thus, inflationary pressures are minimized. Construction expenditures are presently down over 27 billion dollars from last year. The level of funding contemplated in the bill presently before this committee is miniscule in comparison.

There is some concern that these monies, due to lead-time problems, will begin to seep out into the economy after an initial recovery is underway. This concern has been raised by alarmists

more interested in drawing budget charts than putting our unemployed back to work. No one expects the construction industry to be anywhere near full capacity in a year's time. In addition, the President's own budget predicts unemployment to be near 8% next year. Because construction unemployment is historically twice the national average this implies an unemployment rate of approximately 16%. Monies released next year will therefore, not be pumped into an economy operating at full capacity with a tight labor market. Instead, the economy will continue to have a dismal track record--unacceptable to everyone with the possible exception of the administration.

Public works can also be directed at areas and sectors of the economy which have been particularly hard hit. There are hundreds of communities throughout our nation which have been struck harder than most by the current depression. Many of these have a long history of unemployment problems. Now, because of the current economy, they are even worse off -- with unemployment soaring over 20 percent in some. Although a renewed economic expansion on the part of the nation as a whole will, in the long run, help to restore the prosperity of many of these areas, their present needs are more than urgent. Further help should not be delayed.

Public works projects utilize the idle machinery that is not in use. The construction industry is a good example of this. In slack periods, vast numbers of machines and equipment lie idle.

The benefits do not end there. Machinery must be maintained,

fueled, repaired and replaced when in use. This means that other businessmen, the suppliers, the manufacturers, the sales personnel, the repair shops, and a whole host stand to gain.

Indeed, any money spent for public works filters down through the entire economy.

A boost to the construction industry, will also produce large savings in lost federal revenues and unemployment compensation payments. It has been estimated that each additional percentage point in unemployment costs the Federal Treasury 14 billion dollars in lost revenue and 2 billion dollars in unemployment compensation payments. It is readily apparent that over 850,000 unemployed construction workers are costing the Federal Government alone billions upon billions of dollars.

All told, the Federal Government would reap returns well over the actual expenditure level for the public works program. It is estimated that a five billion dollar investment in public works will directly create 200,000 jobs. The Joint Economic Committee says that 14 billion dollars in additional national production would be stimulated within the first 24 months after enactment. Two-thirds of this increased production would occur in the first year.

Public works projects will also serve to relieve many states and localities of some of their tremendous financial burdens. Within the past year, 36 of 67 major U. S. cities postponed or cancelled capital improvement projects. Two and one-half billion dollars in debt financing were cancelled. Historically, debt financing is used to finance public works facilities.

Many communities are in desperate need of either a library, new school, hospital or recreational area. Public works not only put the unemployed back to work but they also build schools in poor and undeveloped areas; they build hospitals for medically underserved persons and they rebuild roads in deteriorating areas.

Because of the combined effects of recession and inflation, many states and localities have had to cut back on these projects. Revenues have dropped and costs have soared. Tax bases, already stretched too far, cannot be relied upon for additional revenue. The result has been a growing shelf of planned and needed projects which have simply been postponed. Federal funding of some of these projects will help to relieve many areas of unmanageable financial burdens, while providing last social services.

The need for counter-cyclical spending is apparent. However, appropriations under such a program should not be looked upon as expenditures at all. They are not for a huge relief operation. They will not create a vast boondoggle -- what has been referred to as leaf-raking. The salvation of millions of lives is the high purpose of public works proposals, and the purpose makes any reasonable expenditure worthwhile.

These human resources, men and women, are the most necessary and the most important part of our strength. It is to them, to their skills, to their pride, and to their belief in our system, that we entrust our future.

The urgency of the legislation pending before the Committee cannot be overemphasized. The construction industry and its workers can wait no longer. We need an effective public works program now. And without immediate action, we won't have one.

The Building and Construction Trades Department is on record in full support of H. R. 5247, the Local Public Works, Capital Development and Investment Act of 1975.

I, therefore, urge that this Committee and the Senate pass without reservation and with all due speed Senate Bill 1704.

Senator MONTROYA. Mr. John McCracken, economist for the Irving Trust Co. of New York.

STATEMENT OF JOHN McCRAKEN, ECONOMIST, IRVING TRUST CO. OF NEW YORK

Mr. McCRAKEN. Mr. Chairman, my name is John McCracken.

Senator MONTROYA. Do you have a statement?

Mr. McCRAKEN. Yes, sir. I would like to have this submitted for the record.

Senator MONTROYA. All right, without objection the statement will be made a part of the record.

[The statement appears at p. 167.]

Mr. McCRAKEN. Rather than take the time to read my entire statement, I would like to briefly discuss the major points. I believe you have before you a set of six charts taken from the written statement.

Senator MONTROYA. Yes, go ahead. I have the charts here.

Mr. McCRAKEN. Mr. Biemiller's statement began with the comment that "if you put America back to work, the economic blight that affects the Nation and its people will be over * * * the answer to America's recession is employment." That is a statement with which I agree 100 percent.

There can be absolutely no doubt that the Nation's No. 1 priority has to be to get the unemployment rate back down to a tolerable level, but it has to be done on a permanent rather than simply a temporary basis.

Senator MONTROYA. What is the tolerable level?

Mr. McCRAKEN. I think the tolerable level ranges between 5-5½ percent; but the point is to stabilize it within that range, not just drive it down temporarily. And for that, you need a stable, noninflationary economic recovery. In that light, I would like to talk about the public works type of approach now under consideration.

My gravest concern about this type of approach is that it will add to an already swollen Federal deficit, and at a time when further deficits are not needed. Contrary to some of the earlier testimony, there is good evidence that powerful business cycle forces are already beginning to turn the economy around. Inflation is moderating, business inventories are declining, consumer confidence has started to rise, and retail sales are beginning to show renewed strength. Moreover, there are reports that the inventory of unsold homes is beginning to move off the market as a consequence of the recently enacted home buyer's tax credit. All these developments are pointing to a resumption of real growth in the second half of this year.

Senator MONTROYA. What is your projection on the basis of the Wholesale Price Index and the Consumer Price Index for the first 4 months?

Mr. McCRAKEN. What do I think?

Senator MONTROYA. What is your projection on the Consumer Price Index for the year?

Mr. McCRAKEN. I believe that by yearend, consumer price inflation will be down to only about a 5 percent rate. For the year as a whole, consumer prices will rise between 6½-7 percent, compared to over a 12 percent increase in 1974.

There has been some concern over the 10.4 percent drop in real GNP in the first quarter. Almost all of that, however, was due to inventory liquidation, which is a necessary forerunner of economic recovery. Actual final sales of goods and services were essentially flat, which is a vast improvement over their sharp decline in the fourth quarter of 1974. All in all, there is plenty of evidence around that the economy is beginning to turn up.

I would argue that a reasonable and well-timed fiscal stimulus would help accelerate the process without undue risk of giving the economy too fast an upward boost; but I would also argue that the sort of deficits now taking shape are liable to turn out to be too big for much too long.

If you look at chart I, it shows the relationship between the Federal deficit and the rate of unemployment. It shows clearly that the unemployment rate always lags the business cycle. It tends not to rise very much during the early stages of the business cycle, then hits a peak only after demand has bottomed out and begun to rise. The second thing one sees is that—excepting the early stages of the Vietnam War—the Federal deficit has been almost perfectly correlated with the unemployment rate. Therefore, the deficit also lags the business cycle. Deficits have always continued long after the recession was over, not because of a shortfall in receipts but because of a rise in outlays tied to the unemployment rate.

Back in the 1950's and early 1960's that wasn't much of a problem. The deficits were small enough so that they gave a stable, noninflationary boost to the economy. But in the 1970's, the situation changed. The deficit which followed the 1970 recession was, by historical standards, quite huge. During 1971 and 1972, the Federal deficit was equal to the total after-tax profits of the Nation's entire manufacturing sector. Coming after the recession was over as it did, it gave the economy much too strong a fiscal kick. The legacy, of course, was the virulent inflation of 1973-74. And we are now staring at the possibility of a repeat performance.

Direct U.S. Government borrowing from the public in the first half of this year will be around \$36 billion, and that will be exceeded in the second half of the year. Moreover, the minimal borrowing requirements of the spending programs now taking place is at least \$30 billion to \$35 billion in both halves of next year.

The Treasury is going to be a major force in the capital markets for many months to come. A full year from now, long after the economy has turned up, the Treasury will still be borrowing huge sums of money. It is that expectation which has the financial markets worried, and their worry is clearly reflected in the current pattern of interest rates.

Short-term rates are down to half their levels of last summer, but long-term rates have improved very little. This is in sharp contrast to the usual decline in bond rates at this stage of the business cycle.

There has been some increase in the pace of corporate long-term borrowing this year, but that is not the primary reason bond rates have remained high. During the recession of 1970, long-term borrowing was twice as great as in the preceding year, but still bond rates fell.

The problem today is that lenders are unwilling to commit their funds long term except at premium rates. The reason is that they are apprehensive about the long-run outlook for inflation. No doubt, the pace of inflation over the next few months will be slowing; but it is the long-term outlook that is important to long-term lenders. And chart IV, which shows the course of wholesale prices over the past 175 years, illustrates that lenders have every right to be apprehensive.

The chart shows that for 140 years there was no real secular inflation in this country. Wholesale prices in 1940 were lower than they were in 1800. Inflations always occurred during wartime, and were matched by subsequent periods of deflation. That changed following World War II, however. We enjoyed relative price stability in the 1950's; but in the 1960's inflation began to accelerate, then in the late 1960's began to soar. It's no coincidence that over the last decade Federal deficits have accumulated to \$141 billion, and wholesale prices have soared 78 percent.

These deficits played a major role in the virulent inflation of the past few years, and the prospect of continued heavy deficits is generating serious concern. In fact, the prospective deficits of fiscal 1976 and 1977 could come close to equaling the cumulative deficits of the last 10 years. Given this expectation, there is little wonder why people are reluctant to commit their money long term, and consequently why long-term rates are high.

The term that has been generally applied to this phenomena is "crowding out." It implies that the Treasury has been muscling private borrowers out of the market by absorbing whatever credit is available. This is not literally true, since short-term bank credit is indeed available. Actually, if "crowding out" has any meaning, it is that the cost of long-term funds has become much higher than it otherwise would be. A significant number of job-creating, capacity-expanding private sector investments that otherwise would have been undertaken will now go by the boards because the cost of permanent funding is too high. Moreover, corporations will be less able to repair strained liquidity by funding their excessive short-term debt in the bond markets.

A look at chart V shows just how illiquid the corporate sector is. Inflation and soaring interest rates have forced firms to rely heavily on the banks over the past 2 years, dropping the ratio of long-term/short-term debt very sharply. These companies are now trying to improve their balance sheets by getting out of the banks, seeking permanent financing to improve their liquidity. But it's become very difficult to do this with long-term rates remaining so high.

There is, moreover, another dimension to this problem. The difficulty is even greater for weaker or lower rated firms. Normally a single A rated borrower would pay 30 to 40 basis points more for long-term funds than a prime triple AAA borrower. Now, however, the lower rated borrower must pay a premium of 80 to 100 points. Borrowers rated less than A are shut out of the credit markets almost altogether. One of the very few Baa rated borrowers who have come to market this year had to pay 11 percent in mid-May, 300 points more than a triple AAA firm would have had to pay. Moreover, all the firm could get was 7-year money, and it was lucky to get that.

The reason for these high premiums is that investors know that weaker or lower rated firms will have more trouble with the next round of inflation than their stronger competitors. Without access to the bond markets, these lower rated firms are going to be less able to repair their balance sheets, and less able to cope with the strains of the next credit crunch.

The tremendous amount of Treasury debt coming onto the market in the next few months is simply going to aggravate the problem. Investors will take up this great volume of high quality debt first, leaving fewer funds at higher cost to private borrowers.

The real issue is how do you lower long-term rates. It certainly cannot be made entirely the responsibility of the Federal Reserve. The authorities can lower short-term rates, but their ability to stabilize the bond markets at lower levels is more limited. The Federal Reserve cannot flood the bond markets with liquidity without stirring investor concern over what will happen once that support is withdrawn, as inevitably it must be. The failure of "Operation Twist" a few years ago illustrates the point.

It is actually Congress that has the greatest influence over long-term rates. For example, witness what happened in early May when the Treasury announced that first-half borrowing requirements would be \$5 billion less than expected. There was a sharp rally in the long-term markets, and bond rates fell. The announcement that the Government was going to be borrowing less had a much more powerful effect than any reasonable degree of Federal Reserve intervention could have had.

The expectation that the deficit was going to shrink to manageable proportions next year would have an immediate salutary effect on rates. But the expectation—based upon good, solid historical evidence—is that the Treasury is going to overstay its welcome, that the deficits are going to be too high for too long just as they were after the 1970 recession. The real key to lowering long-term rates is to get the budget back under control. That and nothing else will bring long-term rates down to stay.

In the construction industry—which this bill is intended to aid—the most beneficial tonic you could administer would be to lower long-term rates. Dropping the cost of money back down to reasonable and economic levels would do more for construction than even the most massive public works program. And restoring financial market stability would help to insure that the recovery would be long lasting as well.

That is my statement, Senator McClure.

Senator McCURE [presiding]. Thank you very much. I read your statement with a great deal of interest. I think it has in it the essence of the debate that arises in this country between economists on one side of the issue and those on the other. Do you have any explanation why it is that economists differ so widely on the prescription for the medicines for our ills?

Mr. McCRAKEN. I have a couple of thoughts on that issue. First, there seems to be a division between economists in New York and Washington, with those in New York having a somewhat more optimistic outlook for the next few months. In New York, economists are a little closer to the business community and a little farther removed

from the political arena, which may explain it. Regarding the long-run view, however, there is concern among economists in both cities.

There is another important division as well. In very general terms, you can divide the economic community into those who want greater Government power and influence and those who want less. Today, Federal plus State and local expenditures are equal to about 35 percent of total GNP, up from 21 percent in 1950. There are some who want that figure to rise no more, and some who want it to rise even further.

In Great Britain, for the first time outside a major war, public sector expenditure hit 51 percent of the total economy. One has only to look at Britain's woes to see what the effect of this type of policy has been. I don't want that to happen in this country. We have a long way to go to get there, but there are some very influential voices pushing us in that direction.

Economists, such as myself, who are skeptical of the benefits of ever greater Government economic control tend to be more worried about inflation. This does not mean, however, that we are insensitive to unemployment. In fact, the two are closely related. Over the past 5 years, GNP prices rose 30 percent, but construction prices rose a much greater 58 percent. This is one of the major reasons why construction unemployment, at over 19 percent, is twice the national average. In fact, if you take out the construction and auto industries, which are among those with the highest growth rates in wage costs, April's unemployment rate drops from 8.9 percent down to 7.2 percent.

Senator McCLURE. You have indicated that there may be a division among the economists upon the basis of their optimism or pessimism. Would it be fair to say that those who are optimistic about the long-term recovery of the private sector, are those that would generally favor the very immediate very short-term economic stimulators. And those pessimistic about economic recovery are the ones who support longer-term public investment, public works?

Mr. McCRAKEN. I think that is generally true. If you felt that this was an open-ended slide which would otherwise culminate in another 1930's-style depression, you could logically argue for enduring Federal deficits and large quasi-permanent public works programs.

But I don't believe that this slide is open-ended. As I mentioned earlier, the steep drop in real GNP in the first quarter of this year was due almost exclusively to a rundown in business inventories. This is not an adverse sign. To the contrary, it is a necessary precondition for recovery. Moreover, consumer confidence and retail sales are picking up, and the index of leading indicators is pointing upward. We have a way to go before we return to mid-1972 production levels, but all the reliable indicators are pointing in the right direction. That's why I believe that heavy deficits a year or 18 months hence must be avoided.

Senator McCLURE. If indeed the market is anticipated at continued high rates of inflation as they see in the budget estimates, those high deficits as creating the conditions under which long-term inflation is likely to continue. Is that going to affect the recovery?

Mr. McCRAKEN. Indeed it will. It will make restructuring of corporate balance sheets more difficult by keeping long-term rates high. As I pointed out earlier, many firms have excessive amounts of short-term debt which they badly need to fund long term. This is especially

true of weaker and/or lower rated firms. To the extent they cannot fund, we will enter the next economic expansion with balance sheets in a weaker state than we started the last one. You can see in chart V that we have a way to go to get the ratio of corporate long-term/short-term debt back up to the level it was coming out of the 1970 recession.

The problem is not that high long-term rates will abort the recovery. They will not. But they will prevent the sort of balance sheet restructuring needed to cope with the next expansion, and thus bring the next downswing on more quickly. This is especially true of the construction industry.

Senator McCURE. In view of that statement, why are you optimistic?

Mr. McCRAKEN. I am optimistic about the short run. The economy is going to recover over the next few months; not, perhaps, at as fast a rate as after the 1957-58 recession, but recover nevertheless.

I am down here now to argue that we need to be concerned about the long run. There I am less sanguine, although I don't think I could be called a pessimist. If I were a pessimist, I would never have gotten on the plane this morning.

Senator McCURE. You mentioned in your statement that some of the productive capacity that would exist otherwise does not exist now because investments are not being made that might otherwise have been made.

You point to the long-term market as being one of the reasons. If that is true now what will be the situation next year?

Mr. McCRAKEN. The situation will depend upon what inflationary expectations are at that time. If we see the sort of real growth I expect during the last half of this year, and at yearend see continuing heavy deficits ahead of us, I think long-term rates will back up even from present levels. But if the market sees a reduction in the size of the deficit back down to a reasonable and manageable level—a level that won't crowd out private borrowers—I have no doubt that bond rates will come down.

Senator McCURE. You talked about interest rates primarily in the context of expectations of the rate of inflation. You haven't touched on the question of expansion of money supply. Would I infer from that that you think the current inflation is more of a factor in the current high interest rates than is monetary supply policy?

Mr. McCRAKEN. It depends upon which end of the market you are talking about. Short-term rates are very much a function of Federal Reserve policy, which in turn seems to be pretty closely tied to the growth rate of the money supply. But long-term rates are less closely tied to current rates of monetary growth. For example, since last January monetary growth has accelerated sharply, but long-term rates have risen.

The key variable affecting long-term rates is the investor's expectation of future inflation, since he wants to invest his money at a rate which will earn him a positive real return. Of course long-run monetary growth is a major determinant of future inflation; but monetary growth is, over the long run, very much determined by the size of Federal deficits.

Senator McCURE. You mentioned the difficulty that firms experience now in attaining liquidity in current market conditions. The Gov-

ernment has attempted a number of things. The Congress has discussed a number of things to aid in that liquidity by changes in tax and policy, accelerated depreciation. Is it, as some people have suggested, that because of long-term market difficulties they are using most of these incentives that the Government has created to create liquidity rather than create investment?

Mr. McCRAKEN. No, sir. I don't believe it is an either/or proposition. To undertake the sort of job-creating investments we need, firms first must strengthen their balance sheets, which requires improving liquidity. Improving corporate liquidity is an essential part of the investment process.

Senator McCCLURE. So, you don't think they are, the governmental activities or incentives, are necessarily being defeated?

Mr. McCRAKEN. No, sir; I don't. If the question is really are these Government incentives being absorbed by speculative excesses, I say, unequivocally, no.

Senator McCCLURE. You say that financial market observers attribute the 10-year wholesale price increase of 78 percent to the \$141-billion deficit during that period. Yet in the same period of time public debt as a percentage of GNP has been decreased. Why do you pick out Federal deficits as the cause?

Mr. McCRAKEN. When you take the ratio of the Federal deficit to nominal GNP, which includes the impact of inflation, you bias the ratio downward. If you took the ratio of the deficit to real GNP, the trend would be rising instead of falling.

I do not mean to say that the increase in Government debt has been greater than the increase in corporate debt. It has not. But at the margin, it has been big enough to create strong inflationary pressures. Of course, if the private sector had lowered its demand for funds, there would have been less competition in the financial markets. But then we would have had less private capital investment, hence less productive capacity than we do today.

Senator McCCLURE. Your answer takes me in two directions. One is that if that is the case, that during the past period of time that Federal spending had not been matched by high private nongovernmental demand, that the rate of inflation would not have occurred as it has. It is argued now that all we are doing in the current Federal deficit is substituting in the marketplace in precisely the same way you suggest it, it would not have been inflationary in the past.

Mr. McCRAKEN. Yes, there has been a substitution. Government borrowing jumped from a \$20-billion annual rate in the fourth quarter of last year to a \$69-billion rate in the first quarter of this year. Over the same period, private sector takings fell from a \$153-billion annual rate to a \$91-billion rate.

Note that private credit flows declined more than Government credit flows increased, so that the total actually declined. This should have eased financial market pressures. But it didn't help the bond markets. Again, the problem is long-run expectations. Only the expectation that Government spending is going to be brought under control will bring about a rate correction.

Senator McCCLURE. That is one of the reasons you are testifying regarding the long term effects?

Mr. McCRAKEN. Yes, sir.

Senator McCLURE. The other line I wanted to follow for a moment was you indicated that the past Federal deficit is not the whole reason. It is perhaps a major reason in your opinion for the problem we see now in inflation. Are there other uncontrollable factors other than the Federal deficit, which will affect future markets? Assume that we didn't have the Federal deficit. Can we then assure that inflation would not continue?

Mr. McCRAKEN. No, we can't assume that it would disappear entirely. One uncontrollable contributor to our inflationary spiral has been the fourfold jump in oil prices, the effects of which have been felt in virtually every sector of the economy. Moreover, there are signs that OPEC is going to try and raise prices again in September, although not by nearly so much as in the fall of 1973.

Another inflationary influence has been the growing competitive pressure of Europe and Japan. In recent years, they have sharply increased their standard of living and the amount of world commodity resources that they need to do it. These uncontrollable factors—oil and the rising economic aspirations of the rest of the world—mean that future inflationary pressures are going to be stronger than they otherwise would be, and therefore that Government policy is going to have less room to maneuver than it used to. It is going to have to offset some of these external pressures.

Senator McCLURE. Mr. McCracken, I personally would like to keep on this dialog for some extended period of time. But I know the committee's time is limited. I suspect yours is, too. I do have a couple of further questions. One is in regard to your earlier statement that the cure for the unemployment lies in job-creating investments; the dilemma that corporations face today as they try to increase liquidity in the face of high long term capital markets. Does this lead them to use corporate profits in the internal generated cash flow, increase liquidity rather than investments as they might otherwise do?

Mr. McCRAKEN. To put the matter a little differently, an illiquid balance sheet makes a company more cautious and less willing to take the sort of risks which, in a free market economy, are necessary to expand investment and create jobs. Our whole economic system is based upon the willingness to take prudent economic risks, both in technical innovation and in the entry into new products and markets. But to the extent firms are unwilling or unable to take such risks because their liquidity is stretched, orderly growth in both investment and jobs is jeopardized.

Senator McCLURE. We appear to be locked into a budget deficit of no less than \$70 billion. There are those that advocate that it will go much higher. My personal conviction is that \$70 billion is too high. I haven't yet seen the rationale that \$60 billion is just right or \$80 billion is too much. That is not very persuasive to me. In your opinion, how large a budget deficit can our economy sustain without greater difficulties created than is now?

Mr. McCRAKEN. After all the econometric razzle-dazzle is over, it comes down to a question of reasonableness. My personal feeling is that once you move beyond \$70 billion, you move beyond the point of reasonableness.

But more important than the budget deficit today is the budget deficit tomorrow. I am most concerned that high and rising deficits to-

day will be followed by more high deficits tomorrow. I would yield \$10 billion today for a guarantee that next year's deficit would be \$20 billion less.

Senator McCLURE. I wish we could give you a guarantee. If you could figure out a way, I would try to implement it. In view of your concern about the size of deficits and the willingness to do something in the short term, would it be a more rational policy for us to enter into loan guarantees, interest subsidies rather than Federal spending, in the public works or other Federal activities?

Mr. McCRAKEN. I think loan guarantees might be a good idea. But I would add two caveats. You can look at New York City as well as a number of private borrowers and see that there would be great pressure for such guarantees to become permanent. Borrowers would use them to release themselves from the discipline imposed by the markets of keeping their financial house in order. I would not like to see Federal loan guarantees as a permanent condition which released private and State and local borrowers from the fiscal discipline of trying to match income and expenses. In terms of short-run relief, however, I think such guarantees might be a reasonable proposal.

Senator McCLURE. Thank you very much for your testimony. I found it very stimulating. I appreciate your willingness to get on the plane this morning and share with us your testimony.

Mr. McCRAKEN. Thank you.

[Mr. McCracken's statement follows:]

STATEMENT OF JOHN F. McCracken
ECONOMIST, IRVING TRUST COMPANY
BEFORE THE
SENATE PUBLIC WORKS COMMITTEE
Washington, D.C., May 21, 1975

Mr. Chairman and Members of the Committee:

No reasonable person can doubt the high priority that must now be given to putting people back to work, to lowering the unemployment rate from its present 9% range back to more tolerable levels. Thus anyone who questions a public works measure to create jobs, such as bill S1587, might be viewed as something of a misanthrope or, at the least, as someone unconcerned with the obvious suffering that high unemployment brings. But that is not really the case. A clear distinction must be made between ends and means--between the need for stable, long-run full employment, which no one doubts, and this type of public works approach, which is open to considerable doubt.

Fiscal Stimulus

Specifically, I doubt the advisability of further additions to an already swollen deficit. The issue is not simply this bill alone, but rather the whole approach of ever-increasing deficit spending at a time when reliable business barometers are suggesting that an end to the recession is not far off. Powerful business cycle forces are already starting to turn the economy around: inflation is slowing sharply, consumer confidence has reversed direction and begun to climb, inventory liquidation is proceeding rapidly, and there are reports that the glut of unsold homes is starting to be worked off. A reasonable and well-timed fiscal stimulus would help accelerate the process without undue risk of giving the economy too fast an upward boost. But the sort of deficits now taking shape threaten to be much larger and of much longer duration than is either necessary or desirable.

Chart I clearly illustrates why. It shows that:

1. The unemployment rate always lags the business cycle. It tends not to rise very much during the early stages of the recession, and hits a peak well after demand has bottomed out and begun to rise.

2. Deficit spending is closely, almost perfectly, correlated with the unemployment rate.
3. Hence, deficits tend to hit their peak after the downturn is over rather than during the recession, when they would have been much more timely.

The phenomenon of post-recession stimulus was not a problem back in the 1950's and early 1960's. Deficits then were modest enough to stimulate recovery without posing an immediate inflationary danger. But that changed in the late 1960's, when the fiscal tuning fork was traded in for the fiscal sledgehammer. Congress reacted to the belated rise in unemployment during the 1970 recession with large-scale fiscal stimulus. Over the two years following the recession, the deficit equalled the total after-tax profits of the nation's entire manufacturing sector. This massive stimulus, coming as late in the cycle as it did, was a major factor in driving the economy right back through the full employment zone and into a state of inflationary demand that set the stage for our present bust.

The same thing is about to happen again, this time on an even larger scale. The proposed fiscal 1976 deficit, coming at the tail end of the recession, will equal about 5% of total GNP, more than twice the relative size (2.2% of GNP) of the fiscal 1971 and 1972 deficits. Moreover, if this public works bill now before the Committee is characteristic, the stimulus will likely continue for several quarters after it is needed. The 1962 accelerated public works bill, as an illustrative example, didn't hit full stride until fiscal 1964 and 1965. Only 7% of the authorized outlays were spent in 1963, when they were most needed.

High Long-Term Rates

The financial markets are understandably apprehensive about the likelihood of excessive fiscal stimulus. Chart II shows the expected Treasury financing requirements for the rest of this year as well as the absolute minimum requirements for next year as announced by Treasury Undersecretary Jack Bennett. These financing needs are unprecedented, even by World War II standards, and completely overshadow the heavy borrowing of 1971-72. Most importantly, the Treasury will be a heavy borrower several months hence, well after we have passed beyond the bottom of the business cycle.

Attesting to widespread fears of budgetary overkill has been the failure of long-term rates to fall as they usually do during a recession. Chart III shows that while short-term (commercial paper) rates have dropped to only half the level of their peaks last summer, long-term rates (Aa industrial bonds) have improved very little, and have actually risen since the size of the fiscal 1976 deficit became a subject of speculation. This is in contrast to the steep decline in long-term rates during the closing months of the 1970 recession.

Total corporate new issues during the first five months of this year will be about 70% greater than the depressed totals over the same period last year. But a step-up in long-term borrowing is quite normal during a recession, as firms try

to pay down excessive levels of short-term debt accumulated during the preceeding period of inflationary expansion. (In 1970, for example, corporate bond flotations were double the level of the previous year.) Bond yields usually decline during such a period (as they did in 1970) because the increased supply of long-term funds more than matches the increased demand. This time, however, the situation is different. Although borrowers want to borrow long, lenders much prefer to lend short because of inflationary expectations. As a consequence, rates stay high.

The problem is that lenders today do not want to commit their funds long-term, except at premium rates. This is not due to fears that inflation will be rekindled within the next few months--most observers fully expect price pressures to be moderating over the rest of the year. Rather, the apprehension is that the economy has only entered a hiatus, lasting perhaps a year or two, during which time inflation will slow, but after which it will again become a serious problem. The long-term lender is not as concerned with the immediate future as he is with the long haul. It is the expected inflation rate over the 10-30 year life of the security that determines what yield he is currently willing to lock himself into. And lenders are not sanguine about the long-run outlook.

The firm foundation of these fears is revealed in Chart IV, which depicts the long-run history of U.S. wholesale price inflation. There has been no secular inflation of wholesale prices over most of this country's history. Periods of rapid wartime inflation were usually matched by postwar deflations, so that the index stood at a lower level in 1940 than in 1800. Following World War II, however, the pattern changed. After a few years of relative price stability in the 1950's, prices began to accelerate in the early 1960's, then soared after the Viet-Nam War. Over the past decade, wholesale prices have jumped 78%, an occurrence which many financial market observers attribute to the \$141 billion net Federal deficit over the same period. Furthermore, estimates of prospective Government spending indicate that the combined deficits of fiscal 1976 and 1977 could, in just two years time, easily match that total. Little wonder that lenders are reluctant to commit their funds long-term.

Crowding Out

The term that has been generally applied to this mismatch between the maturity preferences of borrowers and lenders is "crowding out". It implies that private borrowers will be increasingly displaced by Treasury borrowing. Actually, some degree of crowding out is always occurring as the financial markets allocate (by price) scarce resources among what would otherwise be unlimited demands. If crowding out has any real meaning in the present context, it is that the cost of term funds has become significantly higher than it otherwise would be, and that projects that would have otherwise been profitable are no longer economical. This, in fact, is precisely what is likely to happen. A significant number of job-creating, capacity-expanding private sector investments that might have been undertaken will go by the boards, crowded out by financing costs too high to justify the return.

Not only is the cost of new capital investment high, so too is the equally important investment in restoring lost corporate liquidity. Chart V shows that

an important measure of business balance-sheet liquidity, the proportion of long- to short-term debt, has sunk to an all-time low, with a particularly steep plunge occurring over the past two years. Firms are making a great effort to improve liquidity by funding their short-term debt in the bond market, but the cost is prohibitively high. The implication is that we will go into the next economic expansion with weakened corporate balance sheets, with the damage done by the 1972-74 inflation left at least partially unrepaired.

Moreover, there is yet another dimension to crowding out. Not only are long-term rates in general high, they are especially high to weaker- or lower-rated borrowers. Lower-rated, single A borrowers now have to pay around 80 basis points more for long-term funds than their premium Aaa rated competitors, twice the normal differential of years past. Moreover, utilities, which are perceived as more risky than industrial firms because of their higher leverage, must also pay a higher premium. Aa rated utilities now pay 65 basis points more than similarly rated industrials, almost three times the normal spread.

The markets are taking the view that weaker credits will be less able to repair their balance sheets, less able to cope with the strains of the next and succeeding bouts of inflationary expansion. Thus, weaker borrowers are charged a premium for funds, with the charge growing disproportionately for firms rated below the top three grades. The most recent of the very few Baa industrial borrowers that have been able to come to market this year had to pay 11% for seven-year money, about 300 basis points more than it would have cost a Aaa rated borrower. And the Baa borrower was lucky to get the funds at that.

Many lower-quality firms are finding that long-term money (20-30 years) is actually unavailable, and that the only sector of the bond market open to them is the intermediate (5-10 years) term. Many investors who would buy a single A rated security on the assumption that it would not be downgraded over the next 10 years will simply not take that chance over the next 20. Hence, the proportion of total new bond issues falling in the intermediate sector has jumped from a more normal 20% to the current level of around 40%, with the bulk represented by less than Aa rated borrowers.

This shift is particularly meaningful when one considers the present maturity composition of the Government debt. Chart 6 illustrates just how short that maturity is, with over 70% of total notes and bonds outstanding having a maturity of four years or less (and this excludes \$130 billion of bills due within one year). The Treasury must borrow another \$40 billion before the year is out. But the question is where to put it. There must certainly be a limit to the market's ability to absorb short- and near-term debt. Yet if the Treasury goes into the relatively untapped 1981-90 (intermediate) region, it will raise the cost of funds to lower-rated private borrowers even further, crowding out even more of them from the one sector of the bond market where they are most welcome.

Lowering Long-Term Rates

It is important to realize that the Federal Reserve has only limited power

to either lower the general level of rates or correct rate distortions. The authorities cannot long support the bond markets, flooding them with liquidity, without investors worrying about what will happen once that support is withdrawn, as eventually it must be if the debt is not to be monetized.

It is Congress that actually has the greatest influence over long-term rates. Witness the rapidly improved tone of the markets in early May when the Treasury announced that first-half borrowing requirements would be \$5 billion less than originally expected. Official assurances that the fiscal 1977 budget would be in reasonable balance would have a very pacific effect on the financial markets, quite irrespective of expectations about the size of the fiscal 1976 deficit. As this Committee is well aware, lower long-term rates would also have a most beneficial effect upon the construction industry. A financial environment in which builders can secure term funds at an economically affordable price would do more for long-term construction employment than even the largest public works program. The real key to long-run full employment, as well as financial market stability, is a responsible fiscal policy: manageable, stimulative deficits during recession--with transfer payments to help ease the burden of rising unemployment--counter-balanced by budget balance or even surplus when excess demand pressures begin to build. Only in this way can both unemployment and interest rates ever be brought down to stay.

Chart 1

FEDERAL BUDGET

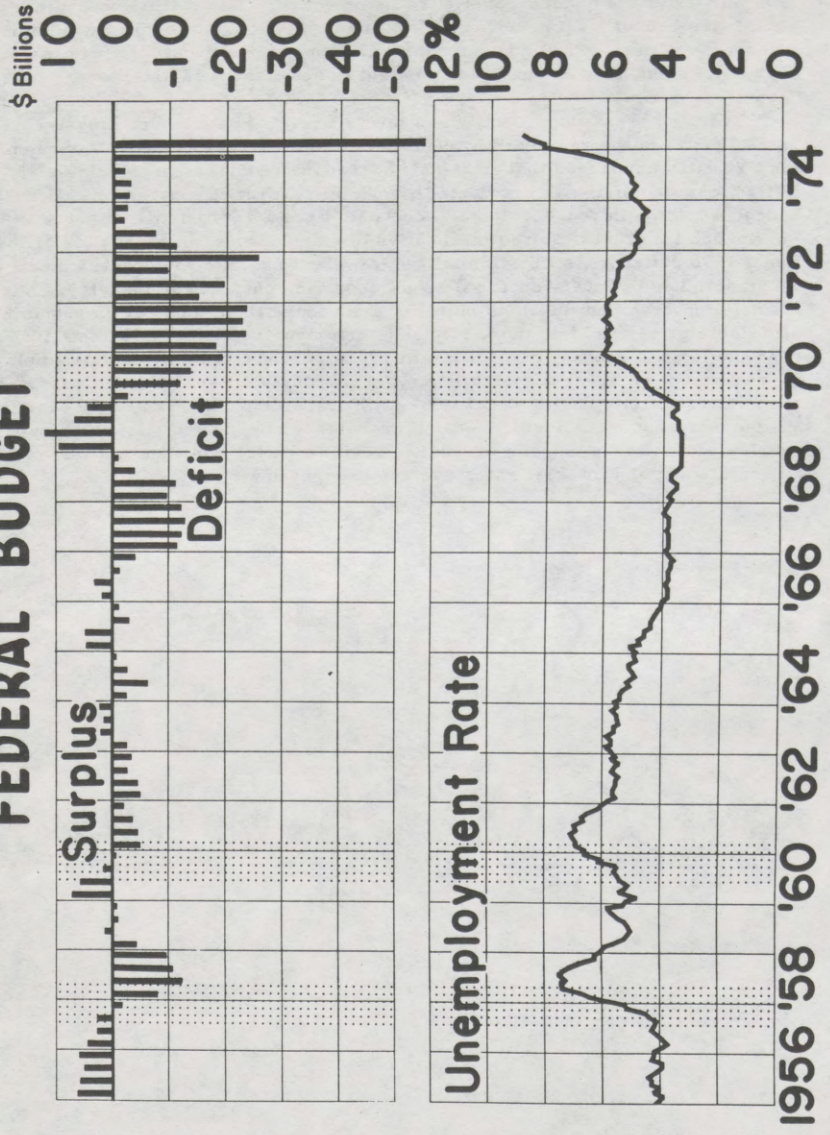
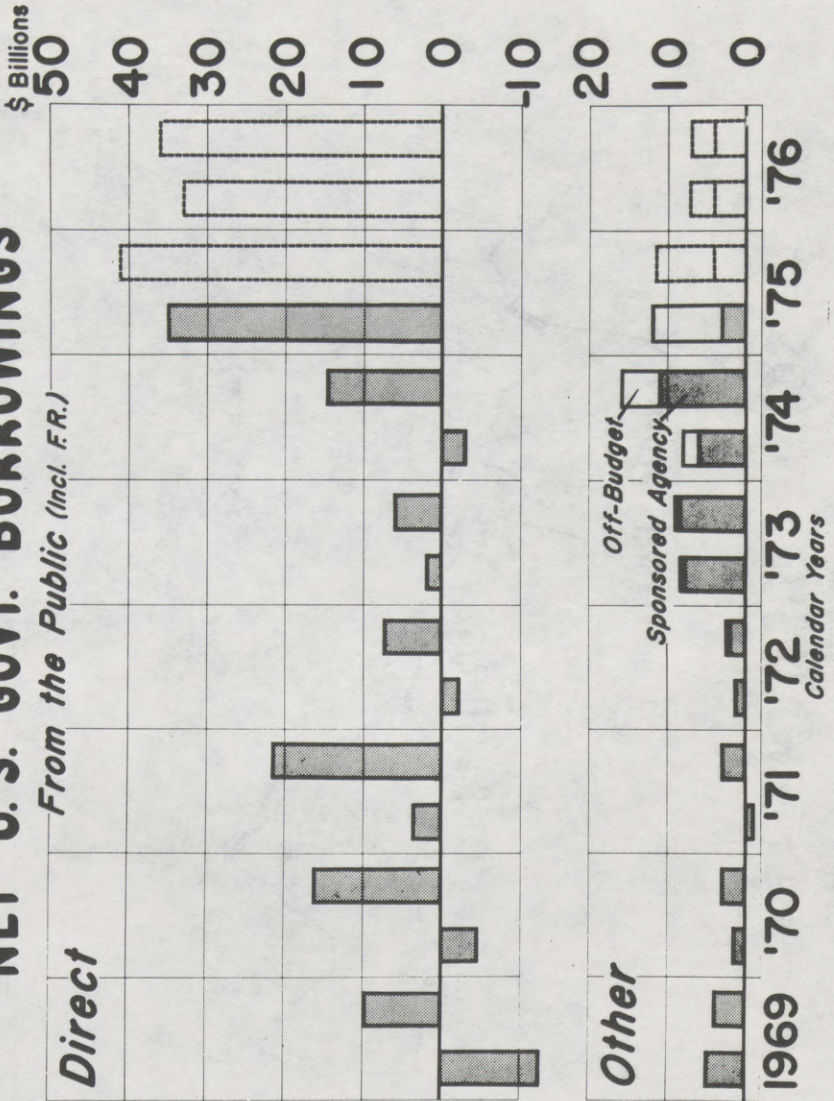


Chart 11

NET U.S. GOVT. BORROWINGS



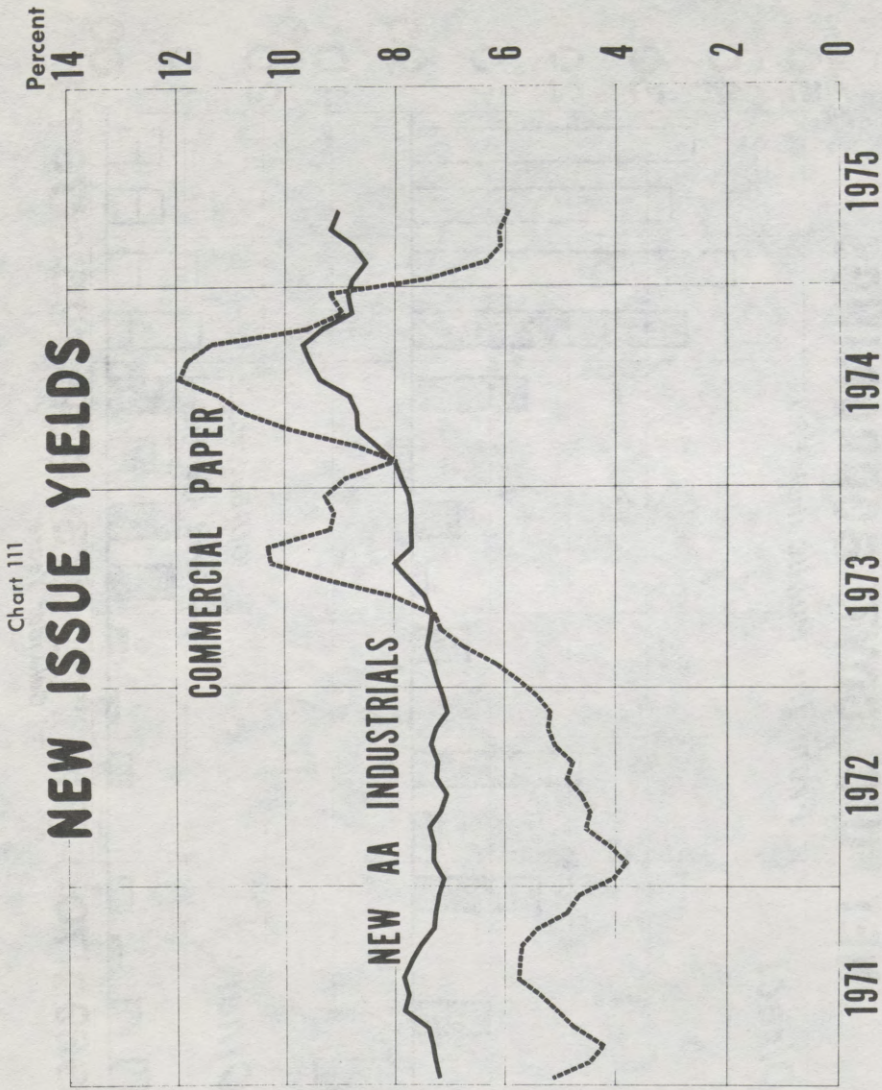
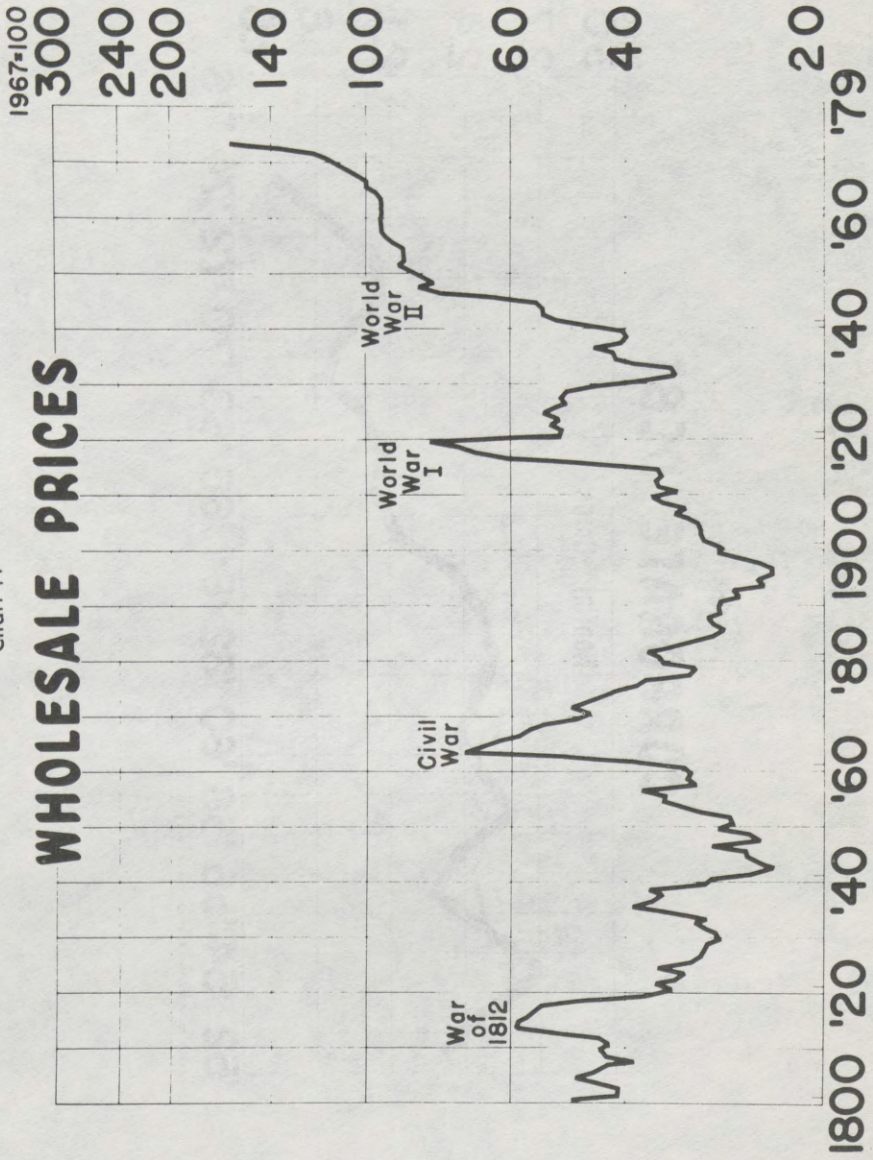


Chart IV

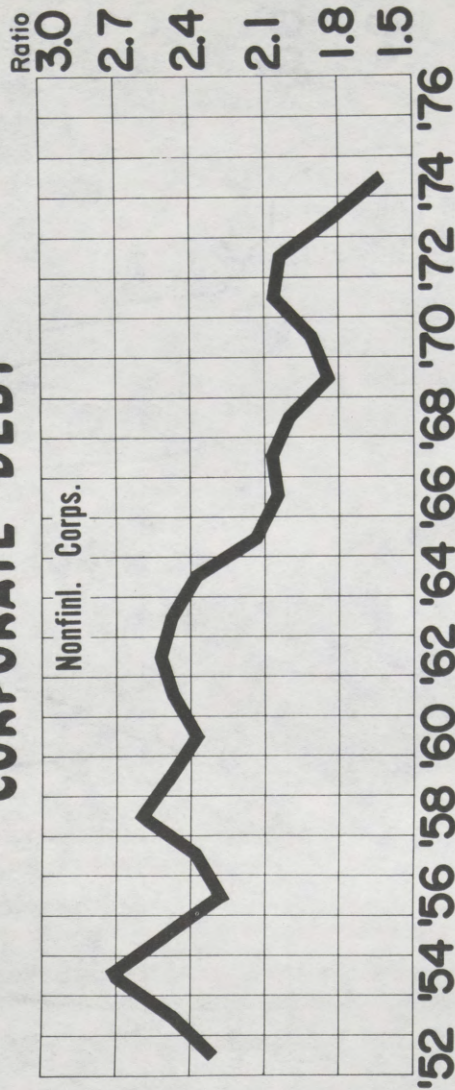
WHOLESALE PRICES



SOURCE: U.S. DEPARTMENT OF COMMERCE, BUREAU OF ECONOMIC ANALYSIS

Chart V

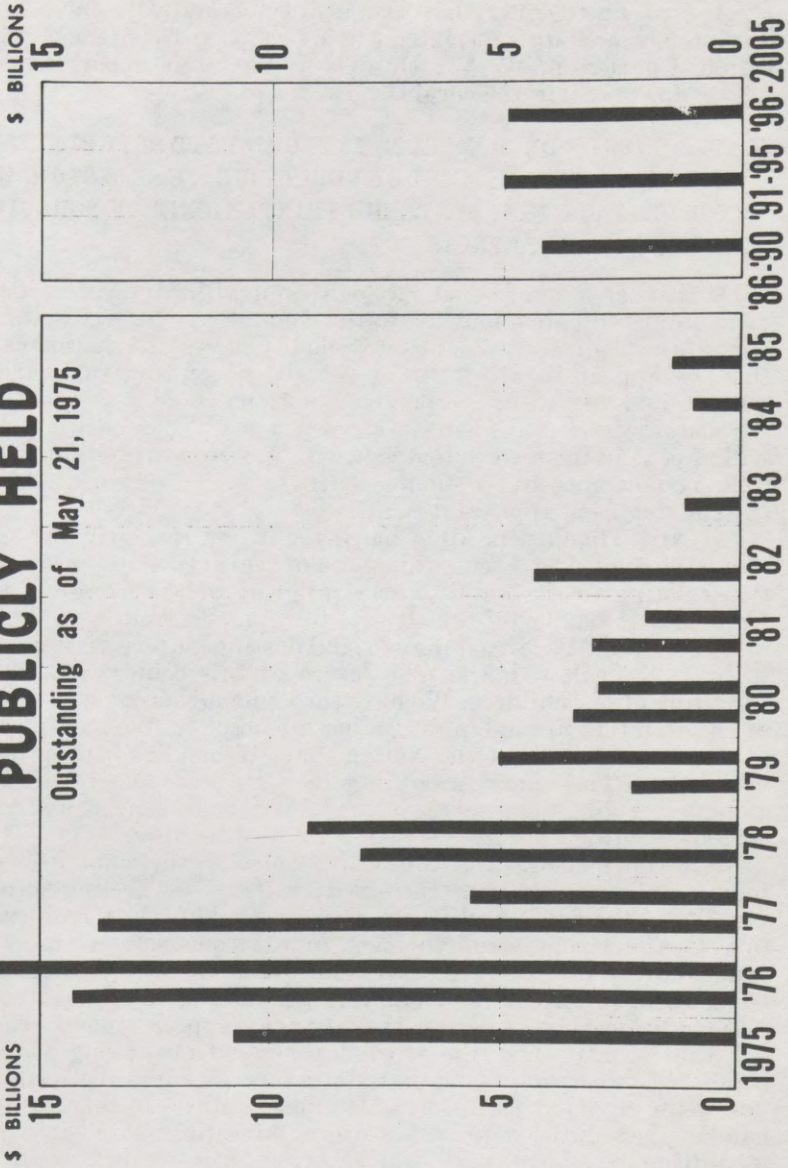
CORPORATE DEBT



SOURCE: BUREAU OF GOVERNMENT FINANCE, FLOW OF FUNDS DATA.

Chart VI

MARKETABLE TREASURY NOTES & BONDS PUBLICLY HELD



Senator McCLURE. My understanding is the next two witnesses are to appear together, Dr. Daniel Taylor and Dr. Jack Nix. Dr. Taylor is the State superintendent of schools, Department of Education, Charleston, W. Va. Dr. Nix is the State superintendent of schools for the State of Georgia.

STATEMENTS OF DR. DANIEL B. TAYLOR, STATE SUPERINTENDENT OF SCHOOLS, DEPARTMENT OF EDUCATION, CHARLESTON, W. VA., AND DR. JACK NIX, STATE SUPERINTENDENT OF SCHOOLS FOR THE STATE OF GEORGIA

Dr. TAYLOR. I am Daniel Taylor. I join with Mr. Nix in his statement prepared and submitted to the committee. Mr. Nix is the president of the Council of Chief State School Officers. It is in that capacity that we appear today. I prefer that he go on and summarize our position and then we can respond to questions.

Senator McCLURE. Thank you very much. Your entire statement will appear in the record, together with the supporting table attached to it. You may proceed to summarize it.

[The statement appears at p. 187.]

Dr. NIX. Thank you, Mr. Chairman. It is a real privilege to have this opportunity to discuss this piece of legislation and other legislation relating to the public works program of the Congress for the Nation. It is our belief that one of the spinoffs from a public works program could be of a tangible and lasting nature if it relates to helping us deal with the real future of this country; that is, the education of our children. We have throughout this country thousands of children that are in buildings that are obsolete. We have thousands of children throughout the Nation that are handicapped in one way or another. These now, according to State and Federal legislation and court rulings, must be educated along with normal individuals, thereby creating a greater demand for school facilities.

As testimony has already been presented to the committee earlier today relating to the construction trades, it is the feeling across this country in the field of education that we could make a real contribution to alleviating unemployment in the construction trades. This would have a multiplying effect upon the economy by bringing into being the manufacturers of building products of one sort or another.

In addition, this is one area that the State superintendents throughout this country and the local superintendents, along with their boards of education, could initiate rather rapidly. We could bring into being updated facilities, additional facilities to take care of the handicapped and to improve vocational education; here again, related to putting people to work and allowing them to participate as responsible citizens.

At the same time, where we have high unemployment it is very difficult to take care of the building needs for public schools. As the unemployment increases, the difficulty of passing local bond issues is multiplied.

A public works program in which school boards could participate, would help to have the buildings at the time they are needed, even though the unemployment might be down at this particular time.

On the other hand, as the renovation and new construction to replace obsolescence take place, then hopefully the income and employment of the area would increase and at some point trigger a mechanism that would put the community back on a playing basis.

We believe, Mr. Chairman, that this whole effort on the part of the Senate, and particularly this committee, to help with the unemployment situation in this country can be enhanced by participating with the public school systems throughout this Nation.

At this time I would like to ask Dr. Taylor if he would like to supplement what I have said.

Senator McCLURE. Dr. Taylor?

Dr. TAYLOR. I would simply say that what has been testified to here earlier today concerning the construction industry, particularly, in the housing industry, where carpenters, plumbers, electricians, bricklayers and so on, are out of work in enormous numbers, that those are exactly the kinds of skills that we need to put to work to renovate, remodel, recondition, and rehabilitate public schools that exist in every community in the country.

As Mr. Nix has indicated, the circumstances that school systems find themselves in now to meet increasing costs for fuel, for other utility costs, and for normal operating costs is money that would normally have gone into this kind of construction is not now available since schools must meet the normal operational costs that are increasing all the time.

Consequently, in a sense we have added to the unemployment in the construction industry by postponing and curtailing the kinds of construction that would normally have gone on. So that what we are saying is that in that part of the labor force that has been the most adversely effected by the present downturn, we think that in our areas of responsibility, we can quickly put to work, if that be the will of the Congress, those very people who have been suffering from long and extended unemployment.

I would call your attention to page 14 of the attachment of Dr. Nix's statement, in which several States have been surveyed. You would see, for example, that in the State of Georgia alone, they are ready to spend up to \$1 billion in this effort in the immediate future. The State of Illinois, indicates that \$535 million in construction is needed at this point. The State of Michigan indicates that \$700 million of construction could be carried out effectively and efficiently in that State, and so on around the Nation.

Our plea in terms of S. 1587 and S. 1704, is that if it be the will of the Congress to put the Nation's unemployed to work we think that we can provide that work in a meaningful and long term manner that would be of benefit to the country.

Senator McCLURE. Thank you very much for your testimony. I have just a couple of questions. Then I will refer to the chairman of the full committee.

You suggested that this would be of some assistance to the property-tax payer. I would assume it is a shift of taxpaying burden from one form of taxes to another rather than a tax relief.

If a person pays relatively high property tax, relatively low-income tax, this would probably benefit that taxpayer. However, if it were the other way around, it would probably be to the detriment; is that correct?

Dr. NIX. My reference to relief on property tax would be along this line. We must do something about the unemployed. I think the Congress has recognized this by its actions, by its attempts. As we work on unemployment throughout the country, we could put into being, in these high unemployed areas, activities that would put people back to work with the same dollars that we might otherwise use just to create jobs not having a long and lasting effect.

In so doing, there would be this spinoff of less pressure for local property tax to finance bond issues, that would have to be paid back over a long period of time.

Let me simply say to you that 32 years ago, I started teaching school. My first job was in a WPA building. This was built during the last depression. I am quite confident that there are literally thousands of people in this Nation today that have an education because of the activities of Congress back during that depression to try to recognize that people needed jobs and at the same time we needed to have something of a tangible, long-lasting result.

Senator McCLURE. I understand your point. I am just trying to elicit from you that there are limits to how much we can do in terms of tax relief. I understand the context in which you have made the statement.

The second one is while we can identify the needs of every area of the country, I understand you to say what we ought to be doing is concentrating in areas of high unemployment. If we are engaged in that, let's use these needs where they exist.

Dr. NIX. This is right.

Senator McCLURE. The final question would be in terms of how quickly can you generate these jobs?

Dr. TAYLOR. Again, it is difficult for Jack and me to speak for all 50 States. However, we do have close contact with our colleagues in the United States. It is our opinion that the need is so great that the delay in needed construction and renovation has been postponed so long that in each of these States we can move effectively within the 60 days anticipated in S. 1587, and I believe the same period in S. 1704. We can put people to work immediately.

Another thing that relates to that is that in every community in the country, there are schools that are in need to some extent of renovation, repair, remodeling, and so on. Consequently, we are of the opinion that we can move quickly and effectively if the Congress and the bureaucracy will move as quickly and effectively. We think we can have people working during this current construction period this summer. In the northern part of the country it would be prior to next winter. We think we can have people working just as quickly as the Congress and the Federal Government respond.

Senator McCLURE. When you speak of renovation you are speaking of something more extensive than deferred maintenance?

Dr. TAYLOR. Yes, sir.

Senator McCLURE. Deferred maintenance would be probably the quickest.

Dr. TAYLOR. Yes.

Senator McCLURE. But you are looking at more major items?

Dr. TAYLOR. Yes.

Dr. NIX. Mr. Chairman, in our State we have an administrative structure as Dan has in West Virginia. Most of the States have units within the Department of Education that deal with the local school systems in designing improvements that are needed as far as facilities are concerned.

We already have in place a mechanism or procedure where we can deal rather fast in local systems. I think perhaps the only real limiting factor we have would be whatever redtape may happen to be put into effect with the program.

I notice Senator Randolph has in the bill, 1704, I believe it is, some language that I think would get the Federal officials moving and would not result in a limiting factor.

Senator McCLURE. When I assume you talk of moving that rapidly you are making the assumption these would be 100 percent Federal moneys, rather than require local moneys?

Dr. NIX. I think it would be defeating, to a certain extent, if you limit this to a high unemployment area and at the same time put the added responsibility on the localities to come up with the local money.

Senator McCLURE. You would also increase the time required if local districts had to provide either the budgetary capacity or the bonding capacity to provide the local share?

Dr. NIX. Yes, sir.

Senator McCLURE. Thank you very much.

Senator RANDOLPH [presiding]. Thank you Senator McClure, for your incisive questions. This hearing offers Dr. Nix and Dr. Taylor the opportunity to further explain the mechanism for the school renovation program which they believe can effectuate a responsive employment and facility repair program throughout the country.

This would not be one that would be synthetic in nature, but one that would be based upon the needs of the school systems throughout the country; is that correct, gentlemen?

Dr. NIX. Yes, sir. In addition to that present need, we are having a tremendous amount of pressure on State and local education agencies now for an expansion of what has been historically known as public education, to include the severely handicapped and other types of individuals who have in the past, perhaps, in some instances, been excluded from the educational process.

This also requires additional renovation and additional facilities. I think, Senator Randolph, that we could really meet a number of needs with these dollars and the needs we meet would be multiplied in effect, in terms of its return to the national interest.

Senator RANDOLPH. Dr. Nix, I would like to take a moment to explain the action of the Labor and Public Welfare Committee yesterday in which we reported favorably for Senate debate and decision a measure which provides a free, appropriate public education to all handicapped children, including the severely handicapped.

This legislation, S. 6, states that of the funds which a State receives from the Federal Government, 40 percent shall be distributed to local education agencies on the basis of children in need of services, and 60 percent shall go for two priorities: Those children not receiving services and severely handicapped receiving adequate services. You see that we are aware of this problem and are taking steps to correct it.

The intent of that legislation which I have indicated, goes to the need that you have indicated for a restructuring of your physical facilities as well as your teaching aids; is that correct?

Dr. Nix. Yes, sir.

Senator RANDOLPH. I do not want to go back to what you were talking about, but it is very important to realize that sometimes we overlook the fact that the WPA was not a program of what we call made work, work that was not worthwhile.

WPA in its entire program was one in which people were doing jobs in which they were working. They were productive jobs. I have often said, and the record perhaps will be repetitious, but for those who could not work in the more physical and manual types of construction or labor, the WPA was good. We were intensely interested and it was successful in bringing in many, many other persons, in fact, tens of thousands of persons who had the skills in the arts and the crafts.

I recall many projects where several people within one county would say we were writing the history of that county, which very frankly until that time had never been really assembled. But during that period of time—I speak especially of Mineral County, the county seat of Keyser—my association there with the people who were concerned with it, the wife of the minister, Reverend Wood, who was the mother of Catherine Marshall, who later married Peter Marshall and who in her own right became an authoress. I can't recall her first name at the moment. But it was organized very effectively in that county a writer's project, if we could call it that.

The provision was made in a creative resourceful way to enlist the talents of people. That is what WPA was.

Those who are of a different era than the one in which I was active who do not know that the WPA was more than leaf raking, which is the popular concept today. This was not WPA. WPA was the construction of school buildings in a county like Hardy which crests there a beautiful stretch of land. Wardensville dips down into the south. This is a wonder.

We opened it for children because we were building structures for children. I know three of those schools are still operative. There have been, of course, improvements made in them. This is the picture of the State—West Virginia—which I know and which was part of the second district I represented.

I think the record can reflect that when today we have certain questions raised about can we do this, can we do that; Dr. Nix, certainly we can do it.

If we address ourselves to finding the reasons why we can do the job, we then can do the job. There certainly are the innovative minds that can be placed at work in reference to the school buildings and programs within those buildings which can fit into a public works or economic-development program.

So, you come; I am receptive. I talked with you about this before the bill S. 1704 was introduced. I was impressed by your knowledge of the subject. Also, I was very encouraged to know that you felt you had the mechanism whereby you could have throughout this country these school superintendents and others in the public school area of policymaking, act rather quickly. Am I correct about that?

Dr. NIX. Yes, sir. You are exactly right, Mr. Chairman. I am convinced that in these 40 years, since we had the WPA program, many people have gotten an education who would not have otherwise had an opportunity. In addition, there are still many of those classrooms, constructed and renovated at that time, in operation today. This has been 40 years. I would hope that the people of this country would support the members of this committee and the Congress in making it possible for us to handle our own situation now in a meaningful way; 40 years from now people can look back and say that the Congress acted right in 1975, in passing legislation that would help build a strong Nation.

Senator RANDOLPH. Dr. Nix, Winston Churchill said once that he was profoundly weary; that is, of a certain type of thinking that was negative. I am profoundly weary of those within the administration or the Congress.

I do not speak with any feeling against people because they certainly have their reasons which I might not agree with, but I must fully accept.

They tell us that 5- or 6-percent unemployment in the United States is acceptable. We cannot expect to cut it under that. If that had been the thinking of Franklin D. Roosevelt and the people of the Congress in the thirties, I do not know what would have happened to this country. We were not accepting any figure of unemployment. We were trying to put people to work. If it fell at a certain level, that was something we did not know about.

But we wanted to place people into gainful employment. So one after the other, the legislative mill rose. The slates were made. Constructive contributions to America were set in motion. We have only to hear the radio of last night and listen to a television newscast or read a late evening or early morning newspaper today to know that we are not coming out of this recession.

In fact, the indicators are losing ground. I think this is partially because we have not come to grips with the challenge of placing people at work. That is why we are considering this legislation. That is why we need your support. Again, I say you have the mechanism. You promised that you have it. So that you wouldn't bring into being projects that have no merit. Am I correct?

Dr. NIX. Yes, sir.

Senator RANDOLPH. But projects that are needed, I have some brief questions. Perhaps, Dr. Taylor or Dr. Nix, you could join together or I will address Dr. Taylor. Before I do that, Dr. Taylor, how many school buildings, approximately, in our public school system do we have in the State of West Virginia?

Dr. TAYLOR. Approximately 1,300.

Senator RANDOLPH. You go down to counties. You talk to people. You look for yourself here and there as to conditions of our schools. Do we have a need for this sort of program?

Dr. TAYLOR. There is. Unquestionably, we have the greatest need for this kind of project, for this kind of program. We have, in my estimation at least, \$100 million worth of projects in this category that need to go forward in the next year to 18 months alone.

Even then I am not sure that we would meet all of the needs as they relate to questions of fire safety, to health department regulations, environmental regulations, heating, the need to remodel for

handicapped, and special education needs. I am not sure even \$100 million would meet our needs in those areas.

Senator RANDOLPH. I want you to list those categories again. I doubt that people realize what you have to build into a school these days.

Dr. TAYLOR. I will try again. I believe I listed fire-safety requirements.

Senator RANDOLPH. This frankly you notice is relatively new.

Dr. TAYLOR. Yes, sir. You know, too, Senator that techniques of insuring the lives of children against fire hazard is something that needs to be improved and changed as technology and techniques change. We need to get rid of all combustible school buildings. We still have them in West Virginia and other States as well. We still have fire alarm systems 30 or 40 years old.

Senator RANDOLPH. Do you have any schools that are still ringing the bell to bring the children in?

Dr. TAYLOR. Yes, sir.

Senator RANDOLPH. I know you do.

Dr. TAYLOR. We also have sanitary and environmental concerns having to do with waste disposal, water and air pollution, and so on that needs to be taken care of. The whole question of energy effectiveness, Mr. Nix and I have not really discussed today with you. He has in his paper, however, discussed energy effectiveness. We have energy systems that are not at all energy efficient.

We also have the need to remodel buildings for the purposes of handling handicapped children. We need to turn stairways into ramps so people with wheelchairs can go to school. We need to have toilet facilities to handle children with a handicap. We don't have that kind of toilet facility. We need cafeterias for accommodating handicapped.

We have a need that exceeds at least \$100 million right now in West Virginia. If we look at the maximum amounts authorized as I understand it in S. 1704, if my mathematics is correct, West Virginia entitlement would be just \$25 million, just one-quarter of our immediate need.

Senator, what I am saying is that local school administrators are struggling right now to try to accommodate children and they are ready to go to work right now. If it is the sense of the Congress that the unemployed ought to be put to work in the construction industry, the public schools are ready to provide those jobs.

Senator RANDOLPH. Thank you, Dr. Taylor.

I think we must spell out with those who are at the witness table, the situation in a State as you have done and, of course, multiply it up or down to meet the needs of other States with rundown school facilities.

I will address the question more to you, Dr. Nix, in the overall. What is your thinking about the amount of money that could be properly used, there would be a reason for its use, to cover the cost of construction and rehabilitation of facilities in the public school system of the country?

Dr. NIX. Mr. Chairman, in my opinion, from the study that we have made, and attached as a part of our document, in discussing this with Dr. McGuffey and others throughout the country relating to school facilities, there ought to be at least \$5 billion put up initially to help us in dealing with this problem.

This would not help us take care of all of the needs throughout the country. At least it would get us underway in some of these basic areas to which Dr. Taylor referred. With the passage of legislation and an appropriation to accompany the authorization, and with your insistence, and that of others on this committee and in the Congress, that the Federal administrators process our applications rather rapidly, I think we could put these people to work at an early date.

Senator RANDOLPH. Thank you, very much, Dr. Nix.

I think a question must naturally follow from what you have said. How quickly would you be able to submit a priority list for school construction and renovation? You know we have to be very precise with these matters, so we must spell out these matters.

Dr. NIX. In our State, and I think we are perhaps a typical State as far as the State department of education is concerned, we have a State policy that was initiated several years ago where we carry on school surveys in each of the 188 local school districts. We have completed these surveys at the present time and have assembled a list of classroom needs on a system-by-system basis.

With the mechanism we have, in working with local school systems, and the staff I have at the present time in the school facilities unit, I think within a period of 30 days we could give you a listing of the most important areas in our State as it relates to renovation and obsolescence.

Senator RANDOLPH. Dr. Nix, I think that is a very acceptable date. It indicates you want to do a better job. It still gives us that time to build it into the case we hope to make for the legislation.

Dr. NIX. Mr. Chairman, let me come back and reiterate a statement made by Dr. Taylor. I would hope that you and other members of the committee would insist that whatever agency administers these acts—I think they are going to pass in some form and in a form to support the public school system—that you make it specific in the legislation that the administrators of these acts in the Federal Government process our applications rapidly. If we initiate a list of priorities State by State and we submit those and then we have a 6-month delay before we hear from them, then we—

Senator RANDOLPH. You bring to our attention a very troublesome problem. We had the testimony earlier this year from Secretary Tabor and Assistant Secretary Mizell, indicating the number of days for funding economic development projects. I am not certain of the exact number of days. I am reminded now that it is 125 days to take a project from the planning to approval, 337 for the overall. That is from the beginning of to the approval on the project.

Dr. NIX. Mr. Chairman, there is really not any need for that kind of delay. I am an elected official in my State, every 4 years. If I operated that way in Georgia, I would not get elected. It would seem to me that some of these administrators in Washington ought to respect that type operation.

Senator RANDOLPH. I respect Georgia for many reasons. Some people are inclined not to; but Georgia gave us the first breakthrough on 18-, 19-, and 20-year-old voting. It wasn't New York; it wasn't California; it wasn't Illinois; it wasn't some other State. It was Georgia. You had the young Governor then by the name of Ellis Arnall. He was very dynamic. He and others brought that into being.

I asked him to come to Washington because I introduced legislation in 1942, to provide for a constitutional amendment on the issue of 18-, 19-, and 20-year-old voters. He responded very quickly. He said, "Yes, I will come." And he came. We just had 11 persons at the hearings. That is all. No one was interested. Only one person on the committee was interested. I am sure others had interest. But it didn't happen until 1971. Yet we were beginning to work on it in 1942.

We realize patience is a part of life. But what you are saying now is that you are a little impatient with those who want to postpone the doing of something. I am a little bit upset at the administration these days. When we provide legislation that we believe will place people quickly at meaningful jobs, the administration pulls back and says, "Yes, this is good; but we have a long-range plan." Long-range plans, they are not going to be inhibited by what we are doing on programs of this kind, are they, Dr. Nix?

Dr. Nix. It has been my experience, in working with the Federal officials in Federal agencies since 1960, that too often the real intended meaning of the Congress gets lost as you get layer and layer of bureaucracy trying to interpret what the Congress intended. I get the feeling quite often that each of them wants to create a little hierarchy of their own.

They will try to guarantee the existence of their jobs within the department or agency. As a result, the States and the local government are the victims of this type operation. My plea to you is that when this legislation is signed into law, if we can produce for the Federal agency that is responsible for administering it, a list of the priorities in the United States, it ought to act. I will surely do my part and others will do likewise.

Senator RANDOLPH. We may have a more complex society. But in FDR's first 100 days there were those vehemently against doing anything quickly as there are now. But that wasn't to be. There were many measures passed. Mistakes were made to be sure and errors were committed, but, Dr. Nix, FDR understood that if we did not move quickly we might not have the opportunity to move at all later.

That is what I feel is wrong today with those who are not ready to come to grips with the need to act now, not later. We talk about this redtape. That has been with us a long while as you know. We are upset about it often. A long time ago someone said if all the wreaths were pens, if all the seas were ink, if all the skies were parchment and if all men could write, they still could not match the redtape of this government.

When was that written? That was written about the Government of Rome, about 2,000 years ago.

Dr. Nix. And it fell.

Senator RANDOLPH. That is a good postscript to what I have said, it fell.

Dr. TAYLOR. Senator?

Senator RANDOLPH. Yes, Dr. Taylor?

Dr. TAYLOR. Neither Mr. Nix nor I would attempt to suggest how the Federal bureaucracy ought to be improved to move quickly in this area. I would simply suggest if there were any way to expedite it, if there were any way to make direct appropriations or allocations to State departments of education, which now you have in title I, of

93-380, it seems to us that we could respond much more quickly than we could in some other fashion. If that is something the committee would be considering, I am sure that all of our colleagues could guarantee that people would be put to work more quickly under that kind of arrangement, if that were possible.

Senator RANDOLPH. Do you think you have explored the subject matter sufficiently?

Dr. TAYLOR. Yes, sir.

Senator RANDOLPH. I am going to place in the record, without objection, no one is here to object, six resolutions of support of the position that you, Dr. Nix, have taken for a national program of public school construction. I will ask that it be included in the record at a point that I believe would be appropriate and make the record as readable and as helpful as possible. [See p. 201.]

Dr. NIX. Thank you, Mr. Chairman.

Senator RANDOLPH. So, Dr. Taylor, we are grateful for your contribution to this discussion and to Dr. Nix we are also appreciative for your help in connection with these matters. We hope you will return to your States as quickly as possible and on an informal basis again to pull together the further details of the material which we feel would be helpful.

Thank you very much.

Dr. NIX. Thank you, Mr. Chairman. If you need us at any time, have some member of your staff get in touch with us.

[Mr. Nix's complete statement and the resolutions referred to follow:]

PREPARED STATEMENT OF JACK P. NIX, COUNCIL OF CHIEF STATE SCHOOL OFFICERS

Mr. Chairman, Members of the committee, I am Jack P. Nix, State Superintendent of Schools in Georgia and President of the Council of Chief State School Officers for 1974-75. I am distinctly honored to share with my colleague and member of the Board of Directors of the CCSSO, Dr. Daniel B. Taylor, State Superintendent of Schools in West Virginia, this opportunity to offer testimony on behalf of the education community on the Public Works Employment Act of 1975.

Currently, our nation faces economic problems of a magnitude not experienced since the Great Depression of the 1930's. Unemployment rates are at record levels, with the construction and automotive industries being particularly hard hit. Energy usage and costs have expanded to the extent that a crisis situation exists in the petroleum industry and in many public utilities. While local communities and governments fight the inflationary battle, taxes have been increased to cover the increased costs of services, placing in many cases an undue burden on the middle class property owner.

As the costs of food, utilities, transportation and other services rise, local government and boards of education have looked for ways to maintain a better balance between the services they must offer and the funds available for these services. In order to maintain current levels of educational services without increasing the tax burden on local taxpayers, many boards of education have looked to reduced spending in the area of classroom construction and modernization as a solution. Although this effort has provided some temporary relief to the immediate problems of ever increasing costs for energy and other items, in the long run this practice can only cause further deterioration of our economic status. Aggravated unemployment in the construction trades will further result in fewer taxpayers who are able to support local government through the payment of income, property and sales taxes. Older, inefficient buildings will continue to be used, causing further waste of our valuable but decreasing energy resources. Children who must be transported as a result of shifts in population will be taken to existing facilities, since new school classrooms will not be constructed in sufficient quantities when and where needed. This nation's downward

economic spiral will continue as local governments divert more and more available tax dollars to meet current expenditure needs at the expense of capital improvements in school buildings and facilities. Resulting higher and higher unemployment rates in construction will mean fewer and fewer productive taxpayers to meet the increasing costs of operating older and older facilities.

Mr. Chairman, I believe your committee has recognized the opportunity and the responsibility to take positive action which will help solve some of these crippling economic problems. Through programs designed to employ workers in the construction trades, a multiplier effect on the economy can be generated, having impact on the building materials industry, hardware retailers, forestry and lumbering occupations and many other fields of the American free enterprise system. If authorization and funding were to be provided for emergency construction programs in high unemployment areas, an attack could begin on four of the problems faced by the schools of this nation—high unemployment, energy wasteful facilities, unequal educational opportunities and some relief for the property taxpayer.

Our national unemployment level in April, according to information available from the Bureau of Labor Statistics, was 8.9 percent—representing over 8,176,000 unemployed. Among the construction trades only, the March 1975 unemployment rate was 23.8 percent—more than double that of March 1974. I am aware and appreciate greatly your efforts to help the unemployed of this country through the emergency measures passed by Congress in the last few months. Likewise, I strongly feel that the individual American worker asks only for the opportunity to hold a job in which he can make best use of his productive capacities. Higher unemployment benefits for extended periods of time will not satisfy this need for productive employment, nor will it satisfy the American worker's need for self-respect and self-esteem through the satisfactory completion of an honest day's labor. A program designed to offer work, not welfare, to those hardest hit by our current recession is now needed. The Public Works Employment Act of 1975 offers such a program, and it could be quickly placed in effect to alleviate this tremendous unemployment problem in the construction trades area.

A program aimed toward increased employment in the construction trades through the renovation, modernization and construction of new school classrooms and other public buildings can also attack the problems we are experiencing with energy shortages. A considerable number of schools in this nation need modernization and renovation because the design of the facility was initially wasteful. Many buildings still in use were constructed at a time of cheap and plentiful energy supplies—a time long past. There is an urgent need to modify and/or rebuild these facilities to make the most economical use of the declining energy resources available to this nation. Dr. C. W. McGuffey of the University of Georgia, in a recent study of the need for public school construction,* supports the possibility of energy conservation through the construction and renovation of school facilities.

Still, another contributing factor is the extremely high mobility of our people, which has caused population shifts that continually create the need for new school facilities while leaving many existing facilities inaccessible for continued use. If funds for the construction of these critically needed facilities are diverted to meet the current costs of local government, the transportation costs and energy requirements of moving students from where they live to where school classrooms are available will continue to unnecessarily drain our petroleum resources.

The philosophy of equalizing educational opportunity throughout the nation could also be reinforced through legislation that will encourage the construction of school facilities. To quote from a paper I presented to the Board of Directors of the Council of Chief State School Officers on March 17, "The equality of educational opportunity rests substantially upon the provision of equal education facilities. Therefore, a public building program involving the construction and modernization of school buildings would make a substantial contribution toward the resolution of the current unemployment problem, improve energy usage rates in the schools and, at the same time, assist in equalizing the quality of educational facilities. Such a program could make a lasting contribution to public education and the future of the nation." A copy of this paper which was unanimously adopted by the Board of Directors is attached for your consideration.

*Need for Public School Construction in the United States, April 8, 1975.

Another benefit of the passage of S. 1587 could be relief for the property taxpayer who now faces further increases in taxes to finance the construction of local school facilities. The local property taxpayer, who in many cases bears the brunt of taxation for school purposes, would welcome any measure that might assist in the battle to balance the family budget against the increased inflationary pressures of the past few years.

There is a nationwide need for new school classroom construction and renovation to which this program could address itself. Increasing demands are being placed on local school officials to offer educational opportunities to all citizens. The result is an expanded need for classrooms for special education of the handicapped, for occupational and vocational courses and for kindergarten and pre-school education programs.

In Georgia, the need for renovation of many existing classrooms and the construction of new rooms has been recognized by the State Board of Education and many local boards of education. The boards of education for the Atlanta, Carrollton and Decatur City Systems, Chatham, Cobb, DeKalb and Douglas County systems, representing a combined student population of more than 25 percent of the pupils in the state, have all passed resolutions supporting the concept of a temporary national school classroom construction and renovation program to assist in the solution of our economic and educational problems. Any funds that could be made available for these purposes would combat the high unemployment rate in the construction trades here and would immediately assist in alleviating some of the problems created by population shifts in this area. I am sure many of the other 49 states have similar needs. Mr. Chairman, Members of the Senate Subcommittee on Economic Development, the states already have administrative structures in place that will allow the rapid utilization of any temporary funds that may be available for the construction, renovation and modernization of school facilities.

Each state education agency has established procedures for working with local school districts in the approval of plans and specifications and the distribution of funds for school house construction. It would be a rather routine operation for us to take funds made available by Congress and channel them through this procedure and initiate projects within a period of 30-45 days. The only limiting factor, in my opinion, would be federal administrative procedures for project approval. In fact, Mr. Chairman, I am quite sure that each state could have, within a brief period of time, projects initiated in each of the local school districts that would qualify under this proposal. This factor alone is of tremendous importance as we attempt to resolve economic problems for the unemployed.

A building program as described in S. 1587 could provide lasting and permanently improved school facilities. In 1943, I began my professional teaching career in a school building constructed under the Works Progress Administration, designed to eliminate unemployment and to bolster the economy of the 1930's. In fact, there are many adults in this nation today who would not have had an educational opportunity if Congress had failed to provide participation in the public works program of the 1930 depression. The funds expended for school building renovation and construction in that decade have been repaid more than tenfold by the productivity of the people educated in those facilities. It is my desire, and the desire of chief state school officers, that we assist the 94th Congress in culminating this economic rescissory period with some permanent and lasting legacy through the passage and funding of S. 1587.

Thank you, Mr. Chairman, for your interest and concern, and that of this committee and the Congress. I extend to you and members of this committee an invitation to visit educational programs not only in Georgia, but in the several states in order that we may more closely coordinate our efforts to build more productive and successful citizens, resulting in a stronger America.

POSITION STATEMENT—NATIONAL PROGRAM FOR PUBLIC SCHOOL CONSTRUCTION

The people of the United States face many critical issues that are present in the state of our economy and have tremendous implications for the future of the nation. The growing number of unemployed and the energy problem are two of the most critical. Substantial contributions can be made toward the resolution of both of these problems through the implementation of a public building program, involving the replacement of obsolete school buildings and the modernization of many existing ones. Among the highest of the unemployed in industry are those in the construction trades, as well as those in related manufacturing occupations employed in the production of building materials and equipment.

There is a great need throughout the nation to replace and modernize school buildings that are obsolete or greatly inefficient from the standpoint of energy utilization. In addition, there is a need to equalize the quality of school facilities among the school districts of the nation. The equality of educational opportunity rests substantially upon the provision of equal educational facilities. Therefore, a public building program involving the construction and modernization of school buildings would make a substantial contribution toward the resolution of the current unemployment problem, improve energy usage rates in the schools, and, at the same time, assist in equalizing the quality of educational facilities. Such a program could make a lasting contribution to public education and the future of the nation.

A major public school construction program could be put into place rather quickly. Many trained personnel are available already. Most states already have the machinery needed for allocating funds, approving building projects and monitoring the construction program. For this reason, should a major public school building program be implemented, the funds should flow through the states. The building program should be planned, implemented, and monitored by the state educational agency in accord with minimal guidelines to insure the proper use of funds.

The eligibility for funds should be based on the level of unemployment in the local school district. The allocation of funds should be made on a per capita basis in relation to the number and level of unemployment in the state and/or those local school districts which prove the need and their eligibility for the available funds.

The program should be a continuing one with funds for public school construction being made available to any state and/or part of a state where the employment rate falls below a predetermined minimum rate considered acceptable to a sound economy.

Unanimously approved by the Board of Directors of the Council of Chief State School Officers on March 17, 1975.

NEED FOR PUBLIC SCHOOL CONSTRUCTION IN THE UNITED STATES

(By C. W. McGuffey, D. Ed.)

The President of the Council of Chief State School Officers has proposed that a national program of public school construction be implemented throughout the nation. This plan would serve three major purposes: (1) to ease the severe and persistent unemployment problem throughout the country, (2) to help fulfill a persistent need in this nation for improved and modernized educational facilities, and (3) to increase the efficiency of educational buildings in the utilization of valuable energy resources. Instead of a pretense of "making work" for the unemployed, a national program of school construction and modernization would make a lasting contribution to the improvement of education in our nation.

This paper has been prepared to support the need for the proposed program. Some of the data used were taken from reports by representatives from the states and compiled by the National Center for Educational Statistics. Other data were taken from other sources such as periodicals and reports of other governmental agencies. Some data were obtained by telephone interview. The purpose of this paper was to demonstrate a general need rather than to present a precise statement of those needs. Insufficient data were available to make a comprehensive and valid estimate for each state. In some cases, national data on facilities have been extrapolated because the National Center for Educational Statistics stopped collecting certain critical data on "available instruction rooms in use" and "instruction rooms abandoned" in 1971.

Several factors influence the need to provide new or modernized educational facilities. Some of these factors are: (1) pupil enrollment growth, (2) population shifts, (3) new educational programs not heretofore provided such as career education, kindergarten or exceptional (special) education, (4) changes in pupil-teacher ratio, that is, more teachers to teach fewer pupils, (5) growing obsolescence of educational buildings due to changing educational technology requiring abandonment or upgrading of facilities, and (6) the need for improved energy conservation. To the extent that available data make it possible, these factors are examined in this paper.

ENROLLMENT GROWTH

Table 1 displays the enrollment growth in the nation for selected years from 1955 through 1973. State by state data were included in Table 1A in the Appendix to this paper. The data show an increasing enrollment through 1971 after which time enrollments declined. (1) A decline in enrollment, at first brush, suggests an easing of the need for *new and additional* educational facilities. This would be true had the nation met its need adequately during the period of enrollment expansion and the influence of other factors were ignored.

To house the growing enrollments of the fifties and sixties, school districts and some states in the nation mounted large building programs which reduced the growing needs for housing. For example, in the fall of 1959 the states reported 1,883,000 pupils in excess of the normal capacity of the educational buildings of the nation. (1) In 1972, the number of pupils in excess of normal capacity had been reduced to 349,475 pupils. These data are summarized in Table 2. Data for the states are shown in Table 2A in the Appendix. (1) Survey data are not available after 1972.

NUMBER OF CLASSROOM TEACHERS

Another important indicator of need for facilities is the growth in the number of teachers. Table 3 shows the growth pattern in the number of teachers for the nation for selected years. In 1955 there were 1,135,930 full time and part time teachers. By 1973 the number had increased to 2,125,000 for an increase of 87 percent over the number in 1955.

TABLE 1.—SUMMARY OF ENROLLMENT IN PUBLIC ELEMENTARY AND SECONDARY DAY SCHOOLS FOR SELECTED YEARS IN THE UNITED STATES, 1955 THROUGH 1973

	Number enrolled
Years:	
1955.....	30,532,16
1959.....	35,386,177
1965.....	42,143,504
1970.....	45,909,088
1971.....	46,081,000
1972.....	45,754,000
1973.....	45,486,292
1974.....	45,012,000

Source: Statistics for Public Elementary and Secondary Day Schools, HEW.

TABLE 2.—SUMMARY OF PUPILS IN EXCESS OF NORMAL CAPACITY FOR SELECTED YEARS, 1955-71

	Number of pupils
Years:	
1955.....	2,262,434
1959.....	1,883,000
1964.....	369,220
1965.....	332,215
1970.....	422,505
1971.....	370,786
1972.....	349,475

Source: Statistics for Public Elementary and Secondary Day Schools, HEW.

TABLE 3.—NUMBER OF CLASSROOM TEACHERS IN THE UNITED STATES FOR SELECTED YEARS, 1959-73

	Number of teachers	Index
Year:		
1955.....	1,135,930	100
1959.....	1,366,884	120
1965.....	1,716,285	151
1970.....	2,016,115	177
1971.....	2,063,000	182
1972.....	2,102,000	185
1973.....	2,125,000	187
1974.....	2,168,000	191

Source: Statistics for Public Elementary and Secondary Day Schools, HEW.

The number increased despite the drop in enrollment. This was due to several factors such as reduction in pupil-teacher ratio and the introduction of new programs that broadened the scope of services provided for the elementary and secondary pupils of the nation.(1)

PUPIL-TEACHER RATIO

The data on pupil-teacher ratio are an indication of the trends in the reduction of class size. Class size is a significant factor in classroom needs. While pupil-teacher ratio and class size are not precisely the same, the pupil-teacher ratio does reflect the general trend of the last 20 years to reduce class size. Table 4 shows the pupil-teacher ratio for the period 1954 through 1973. If it is assumed that the change in the pupil-teacher ratio corresponds roughly to the change in class size, the increased demand for instructional rooms since 1954 would be approximately 24 percent.

POPULATION MOBILITY

Population shifts create a demand for educational facilities that is extremely difficult to document. Nevertheless it is a significant factor in creating a demand for educational facilities.

Data reported by the Bureau of the Census in 1958 showed that people move constantly from neighborhood to neighborhood, community to community, county to county, and state to state. During the period March 1955 to March 1956 approximately 20.5 percent of all people in this country moved from one dwelling place to another. (2) About one out of three people moved from one county to another. A report from the Committee on Labor and Public Welfare of the United States Senate pointed out in 1950 that approximately 15 percent of the children between the ages of 5 and 19 years were living in states other than those in which they were born. (2)

Table 5 is a tabulation of the number and percentage of the population which moved in and out of the various states between 1965 and 1970 shown as a percentage of the 1970 population. These data show clearly that population mobility is one of the most pronounced characteristics of our American society.(3)

TABLE 4.—HISTORICAL SUMMARY FOR SELECTED YEARS PUPIL-TEACHER RATIO IN FALL ENROLLMENT FOR THE UNITED STATES, 1954-73

	Pupil-teacher ratio	Index
Year:		
1954.....	27.7	100.00
1960.....	25.8	93.14
1964.....	25.1	90.61
1965.....	24.6	88.81
1966.....	24.1	87.00
1968.....	23.2	83.75
1970.....	22.3	80.51
1972.....	21.8	78.70
1973.....	21.4	77.26
1974.....	20.8	75.09

Source: Statistics of Public Elementary and Secondary Day Schools, Fall, DHEW.

TABLE 5.—POPULATION MOBILITY BY STATE BETWEEN 1965 AND 1970 IMMIGRANTS AND OUTMIGRANTS AS PERCENT OF TOTAL 1970 POPULATION

States	Immigrants		Outmigrants		Total percent
	Number	Percent	Number	Percent	
United States.....					
Alabama.....	243,732	8.0	316,378	10.4	18.4
Alaska.....	100,067	40.3	91,713	37.0	77.3
Arizona.....	355,683	23.3	245,598	15.1	39.4
Arkansas.....	184,162	10.9	196,964	11.6	22.5
California.....	1,783,534	10.2	1,413,542	8.1	18.3
Colorado.....	375,604	19.4	293,903	15.2	34.6
Connecticut.....	272,374	10.3	250,763	9.5	19.8
Delaware.....	73,006	15.4	60,900	12.9	28.3
District of Columbia.....	89,962	14.5	172,345	27.7	42.2
Florida.....	1,214,673	20.3	641,168	10.7	31.0
Georgia.....	458,785	11.5	384,935	9.7	21.2
Hawaii.....	131,431	19.8	135,434	20.4	40.2
Idaho.....	100,237	16.0	111,249	17.8	33.8
Illinois.....	699,676	7.2	897,580	9.2	16.4
Indiana.....	376,243	8.2	418,378	9.1	17.3
Iowa.....	184,970	7.3	258,032	10.2	17.5
Kansas.....	250,832	12.5	298,258	14.9	27.4
Kentucky.....	235,183	8.3	283,197	10.0	18.3
Louisiana.....	235,757	7.5	274,510	8.8	16.3
Maine.....	77,311	8.7	98,624	11.2	19.9
Maryland.....	476,068	13.9	353,830	10.4	24.3
Massachusetts.....	372,437	7.4	415,358	8.3	15.7
Michigan.....	519,556	6.7	522,244	6.7	13.4
Minnesota.....	258,348	7.7	272,435	8.1	15.8
Mississippi.....	166,714	8.7	215,765	11.2	19.9
Missouri.....	403,097	9.9	399,526	9.8	19.7
Montana.....	75,090	12.1	109,617	17.7	29.8
Nebraska.....	134,332	10.2	175,487	13.3	23.5
Nevada.....	115,348	28.1	39,745	22.8	50.9
New Hampshire.....	102,271	15.8	77,443	12.0	27.8
New Jersey.....	605,120	9.6	564,722	8.9	18.5
New Mexico.....	138,073	15.7	194,307	22.1	37.8
New York.....	671,938	4.2	1,239,848	7.7	11.9
North Carolina.....	404,716	9.1	383,288	8.6	17.7
North Dakota.....	55,768	10.1	106,721	19.3	29.4
Ohio.....	648,186	6.9	731,309	7.8	14.7
Oklahoma.....	290,892	12.8	287,598	12.7	25.5
Oregon.....	269,524	14.7	212,709	11.6	26.3
Pennsylvania.....	538,440	5.1	729,437	7.0	12.1
Rhode Island.....	93,223	11.2	92,428	11.1	22.3
South Carolina.....	238,803	10.6	226,391	10.0	20.6
South Dakota.....	55,266	9.3	102,097	17.2	26.5
Tennessee.....	328,952	9.6	326,069	9.5	19.1
Texas.....	915,181	9.4	776,339	7.9	17.3
Utah.....	112,409	12.3	124,229	13.6	25.9
Vermont.....	54,687	13.9	41,459	10.6	24.5
Virginia.....	595,675	14.6	529,629	13.0	27.6
Washington.....	480,272	16.1	296,734	9.9	26.0
West Virginia.....	115,661	7.4	196,131	12.6	20.0
Wisconsin.....	258,978	6.6	278,283	7.1	13.7
Wyoming.....	52,092	17.7	72,150	24.5	42.2

In a telephone interview, Dr. Chick, Chief of the Bureau of School Facilities in the Florida Department of Education summarized a recent study of the school population mobility in Florida. During the year covered by the study, 238,222 pupils were mobile. Of this number 96,362 pupils entered school out-of-state but during the year enrolled in school in Florida. Of these 44,352 moved from school district to school district during the year, while 97,568 moved from one building to another in the same district. Approximately 15 to 16 percent of the school population is mobile. The study also indicated that Florida school districts have instruction rooms with capacity to house 55,000 pupil stations in locations where it is impossible to get children to them.

A study of school age population in the City of Atlanta showed substantial movement within the City between 1960 and 1970. One study area within the City experienced a shift from 8.29 percent of the 5-18 age group total in 1960 to 16.19 of the same age group in 1970. This one shift created a need for housing in this one area alone for approximately 10,800 pupils during this ten year period. Population shifts continually create the need for new school facilities while leaving many existing facilities inaccessible for continued use.(4)

NUMBER OF INSTRUCTION ROOMS AVAILABLE

The total number of instruction rooms available in the states for selected years from 1959 through 1971 are shown in Table 6. Detailed data by state are shown in Table 6A in the Appendix. Table 6 also shows the number of instruction rooms completed and the number abandoned for selected years. Table 7 shows the rate of abandonment of instruction rooms as a percent of the total instruction rooms available. The percentage abandoned ranged from slightly less than one percent to approximately 1½ percent. The number abandoned ranged from 16,400 to 24,000 per year. This practice reflects an attempt to eliminate unsafe or obsolete school buildings and the closing of schools due to population shifts and the consolidation of schools. Also included in abandonment data are instruction rooms destroyed by fire, earthquake, tornado and similar causes. (1)

TABLE 6.—ESTIMATED NUMBER OF ROOMS COMPLETED AND ABANDONED WITH CUMULATIVE TOTALS FOR THE UNITED STATES, 1959-74

Year	Rooms completed	Rooms abandoned	Total instruction rooms
1959	70,000	16,400	1,231,952
1965	65,200	16,400	1,595,150
1970	66,100	19,196	1,864,300
1971	65,300	18,005	1,918,000
1972	57,146	18,000	1,953,146
1973	42,906	18,000	1,978,052
1974	NA	18,000	NA

¹ Estimated.

Source: Statistics of public elementary and secondary day schools, HEW.

TABLE 7.—RATE OF ABANDONMENT OF PUBLIC ELEMENTARY AND SECONDARY DAY SCHOOL FACILITIES, 50 STATES AND THE DISTRICT OF COLUMBIA

Year	Total number of instructional units available	Total number abandoned each year	Percentage abandoned each year
1960	1,331,624	18,733	1.40
1965	1,595,150	16,400	1.03
1966	1,653,455	24,000	1.45
1968	1,764,509	18,315	1.04
1970	1,864,300	18,005	.97
1971	1,918,000		

Source: "Statistics of Public Elementary and Secondary Day Schools" for the years indicated. DHEW.

NUMBER AND RATE OF UNEMPLOYMENT

Table 8 shows the latest data available on the unemployment in the various states of the nation. While the general problem is well-known, the actual numbers and rate are not. The data show a substantial change in most states from 1974 to 1975. Only two states, Alaska and North Dakota, show a reduction in the unemployment rate from 1974 to 1975. Even so, Alaska remains far above the national average.

SELECTED STATE INFORMATION

Several states were contacted by telephone to obtain the most recent data on facilities needs for public elementary and secondary day school programs.

PUPIL HOUSING NEEDS IN FLORIDA

Florida had a membership of 1,525,405 pupils in 1973-74. According to up-to-date information on file in the State Department of Education, the current school plant capacity was 1,398,750 pupil places. More than 5,000 instruction rooms are unsatisfactory. The number of pupils in excess of existing school building capacity is 202,006 pupils. Current school buildings needs is estimated to be in excess of one billion dollars.

TABLE 8.—TOTAL AND PERCENTAGE OF UNEMPLOYMENT BY STATE, JANUARY 1975-74

States	Number of unemployed in thousands for		Percent work force unemployed for January	
	1975	1974	1975	1974
Alabama	105.3	61.3	7.2	4.3
Alaska	15.5	15.7	11.4	12.7
Arizona	73.3	39.3	8.3	4.6
Arkansas	82.0	42.5	9.9	5.4
California	921.2	701.5	10.1	7.9
Colorado	54.7	42.7	5.1	4.1
Connecticut	126.2	84.3	8.7	6.1
Delaware	21.4	17.2	8.6	7.1
District of Columbia	25.8	22.1	7.0	6.1
Florida	281.1	151.9	8.7	4.8
Georgia	210.4	83.6	9.7	4.0
Hawaii	25.5	26.1	7.2	7.5
Idaho	32.6	25.9	9.2	7.8
Illinois	333.7	209.1	6.8	4.3
Indiana	209.2	141.8	9.1	6.1
Iowa	64.8	45.5	5.1	3.7
Kansas	47.3	45.7	4.7	4.6
Kentucky	118.3	68.3	8.4	5.1
Louisiana	104.6	87.4	7.1	6.2
Maine	45.3	27.5	10.6	6.6
Maryland	97.0	61.6	5.4	3.5
Massachusetts	275.7	197.6	10.4	7.7
Michigan	538.3	281.2	13.9	7.4
Minnesota	143.9	113.0	8.1	6.4
Mississippi	55.8	36.3	6.2	4.1
Missouri	153.0	101.8	7.7	5.2
Montana	28.0	25.0	9.0	8.5
Nebraska	39.9	28.2	5.8	4.2
Nevada	30.2	21.0	10.7	8.1
New Hampshire	22.1	15.7	6.5	4.8
New Jersey	311.3	212.1	9.8	6.7
New Mexico	30.5	21.7	7.2	5.5
New York	698.7	458.8	9.3	6.3
North Carolina	263.1	103.9	10.4	4.3
North Dakota	14.4	16.9	5.8	7.1
Ohio	378.0	217.1	8.0	4.7
Oklahoma	61.5	46.8	5.4	4.2
Oregon	100.9	71.1	10.0	7.2
Pennsylvania	431.0	236.0	8.5	5.9
Rhode Island	60.4	32.4	13.8	7.8
South Carolina	109.0	40.0	8.9	3.3
South Dakota	15.4	11.0	5.2	3.9
Tennessee	117.6	64.4	6.5	3.6
Texas	292.5	186.6	5.7	3.8
Utah	37.5	34.6	7.6	7.3
Vermont	19.3	13.4	9.6	6.8
Virginia	114.9	75.8	5.4	3.6
Washington	139.4	129.5	9.4	9.0
West Virginia	57.3	45.6	8.5	7.0
Wisconsin	158.9	115.6	7.3	5.5
Wyoming	8.8	7.1	5.5	4.7

Source: U.S. Department of Labor, Manpower Administration by telephone Mar. 28, 1975

PUPIL HOUSING NEEDS IN GEORGIA

A recent survey of building needs in Georgia revealed a need estimated to be in the vicinity of one billion dollars. Renovations and modernization are needed to improve 34,154 instruction rooms. New construction is needed to replace 2,197 instruction rooms while 10,083 new rooms are needed due to increased enrollment, school consolidation and to implement new requirements of legislation proposed to reduce pupil-teach ratio and to increase the scope of existing educational services.

CAPITAL DEVELOPMENT PROGRAM IN ILLINOIS

The closing 1973-74 enrollment in Illinois was 2,300,672. Over the next 18 months, the State of Illinois proposes to spend approximately 535 million dollars on new school construction. This is an accelerated program designed to build new schools and eliminate unsafe and structurally damaged buildings.

ESTIMATES OF SCHOOL HOUSING NEEDS IN MICHIGAN

Data furnished by the Supervisor of School Organization and Plant Planning Programs in the State of Michigan show that that state has an accumulated need

for modernization and new construction in excess of 700 million dollars. Facilities in excess of 50 years of age house 214,020 elementary and secondary pupils. Replacement of these facilities was estimated to cost 586 million dollars. Remodeling costs were estimated at 36 million while other costs such as site needs, architects fees and so on would increase the estimates to the total estimate exceeding 700 million dollars. No data were available regarding estimates to implement energy conservation measures.

PUPIL HOUSING NEEDS IN WASHINGTON STATE

The 1974 enrollment in Washington State was 785,457 pupils. During 1974 35,595 instruction rooms were in use. Of those in use, 2,392 were rated as being unsatisfactory and in need of replacement. An estimated need of approximately 370 million dollars has been projected for the biennial period, 1975-77.

NATIONAL SURVEY OF SCHOOL FACILITIES

In 1953 a report was made on the status of school facilities in the United States as of the 1949-50 school year. The data showed that only 40 percent of the pupils in school were housed in satisfactory facilities. Four hundred twenty-three million in 1950 dollars were needed for remodeling and rehabilitation costs. At the same time 126,680 instruction rooms were needed to replace rooms in obsolete buildings. More than 3 billion 1950 dollars were needed to replace obsolete school buildings. (5)

The above data are approximately 25 years old. However, during the period from 1950 through 1971 the school districts have been hard put to cope with increasing enrollments. Very little attention has been given to the remodeling and rehabilitation of those older buildings retained in use. Most available resources have been used to provide the housing needed for increased enrollments.

CONCLUSIONS

Available data do not provide conclusive evidence as to specific current needs for educational facilities in each state throughout the nation. However, the evidence is strong that there is a backlog of classroom needs due to program changes, reduced pupil-teacher ratio, population shifts and failure to catch up during the vast enrollment increases occurring into the early 1970's. Because of pressing demands for fiscal resources, long needed replacement of obsolete buildings and the rehabilitation and modernization of many existing buildings were of necessity delayed. These needs should be dealt with now.

A current updated national survey is badly needed. The collection of school housing data should be resumed by the National Center for Educational Statistics. This information is badly needed to provide the basis for national planning.

In conclusion, the evidence clearly supports the need for an extensive program to upgrade existing facilities and to construct new facilities to meet new needs and to replace obsolete buildings throughout the nation.

SELECTED REFERENCES

1. *Statistics of Public Elementary and Secondary Day Schools*, National Center for Educational Statistics, U.S. Dept. of Health, Education and Welfare.
2. AASA. *Planning America's School Buildings*. The Association, Washington, D.C., 1960.
3. U.S. Bureau of Census. *Mobility for States and the Nation*, Census of Population Special Reports Vol. 2A, Tables 56 and 57, pp. 352-353, 1970.
4. McGuffey, et al. *Educational Facilities Survey*, Atlanta Public Schools, 1972.
5. *Report of the Status Phase of the School Facilities Survey*, U.S. Department of Health, Education, and Welfare, 1953.

APPENDIX

TABLE 1A.—ENROLLMENT IN PUBLIC ELEMENTARY AND SECONDARY DAY SCHOOLS FOR SELECTED YEARS, 50 STATES AND TOTAL FOR THE UNITED STATES 1950-73

States	1955	1959	1965	1970	1971	1973
United States.....	30,532,166	35,386,177	42,143,504	45,909,088	46,081,000	45,486,292
Alabama.....	720,478	775,981	831,701	805,205	806,315	770,739
Alaska.....	28,969	39,449	59,727	79,845	84,381	82,505
Arizona.....	195,943	208,369	373,659	439,524	454,478	541,044
Arkansas.....	418,300	422,060	851,231	463,320	461,260	450,114
California.....	2,447,000	3,230,000	4,262,000	4,633,198	4,601,550	4,435,000
Colorado.....	296,500	378,000	486,784	550,060	564,502	574,312
Connecticut.....	383,783	460,311	574,798	662,205	666,867	667,088
Delaware.....	61,924	77,761	108,357	132,745	135,013	132,944
District of Columbia.....	106,401	116,587	144,016	145,704	142,512	---
Florida.....	650,263	919,491	1,220,581	1,427,896	1,478,504	1,447,600
Georgia.....	924,467	930,624	1,055,086	1,098,901	1,093,407	1,085,881
Hawaii.....	119,048	140,491	162,200	180,641	183,654	177,800
Idaho.....	137,548	155,890	173,696	182,333	185,114	184,800
Illinois.....	1,493,498	1,663,001	2,087,689	2,356,636	2,379,646	2,319,245
Indiana.....	830,000	940,000	1,124,724	1,231,458	1,230,796	1,207,000
Iowa.....	518,042	567,253	625,358	660,104	652,958	639,800
Kansas.....	436,210	458,000	506,958	512,308	503,403	476,985
Kentucky.....	595,292	610,992	665,046	717,205	720,309	710,000
Louisiana.....	593,500	701,000	802,592	842,365	851,074	842,850
Maine.....	177,028	197,035	222,506	244,670	246,406	245,467
Maryland.....	479,737	583,015	762,647	916,244	922,051	911,249
Massachusetts.....	733,680	829,327	1,020,500	1,167,713	1,191,179	1,222,000
Michigan.....	1,384,750	1,641,167	1,975,000	2,180,699	2,212,985	2,163,000
Minnesota.....	598,500	676,800	808,207	929,830	913,955	905,000
Mississippi.....	541,938	560,000	584,629	534,395	529,366	519,785
Missouri.....	745,000	805,000	964,351	1,039,477	1,023,374	1,019,803
Montana.....	123,752	142,850	166,765	NA	NA	170,000
Nebraska.....	250,967	274,262	318,746	329,110	332,375	325,225
Nevada.....	46,334	60,279	105,952	127,550	130,186	135,000
New Hampshire.....	87,169	102,421	128,857	158,756	164,102	171,422
New Jersey.....	835,409	1,012,000	1,286,000	1,482,000	1,497,841	1,488,000
New Mexico.....	179,786	211,334	267,700	821,372	284,948	278,832
New York.....	2,332,696	2,735,000	3,190,845	3,477,016	3,519,905	3,473,700
North Carolina.....	1,030,000	1,089,742	1,181,558	1,192,187	1,176,308	1,145,681
North Dakota.....	123,174	130,173	148,871	147,013	144,419	138,302
Ohio.....	1,557,726	1,832,479	2,270,108	2,425,643	2,438,743	2,370,432
Oklahoma.....	468,800	535,000	584,106	626,956	625,740	596,000
Oregon.....	340,000	379,699	448,527	479,527	478,502	476,840
Pennsylvania.....	1,786,167	1,948,985	2,189,829	2,363,817	2,370,665	2,343,000
Rhode Island.....	113,424	128,406	154,501	188,090	190,696	184,624
South Carolina.....	529,655	573,084	637,990	637,800	648,643	621,188
South Dakota.....	134,768	147,778	165,635	166,305	165,267	157,800
Tennessee.....	728,829	779,928	871,998	899,893	897,598	875,704
Texas.....	1,755,300	2,084,540	2,517,342	2,839,900	2,811,700	2,899,804
Utah.....	193,241	228,826	286,404	304,002	305,746	305,800
Vermont.....	66,921	72,822	84,254	103,130	105,340	106,276
Virginia.....	724,964	820,578	986,123	1,078,754	1,074,073	1,085,000
Washington.....	515,771	609,024	723,398	817,712	805,049	788,324
West Virginia.....	448,031	451,875	428,543	399,531	403,377	409,468
Wisconsin.....	617,500	700,000	759,101	993,736	999,921	987,027
Wyoming.....	72,000	75,488	86,308	86,885	86,430	86,017

1 Source: "Statistics of Public Elementary and Secondary Day Schools," HEW.

2 Source: "Rankings of the States," 1974, NEA Division of Research.

TABLE 2A.—PUPILS ON CURTAILED SESSIONS IN SCHOOL DISTRICTS OF THE 50 STATES FOR SELECTED YEARS IN PUBLIC ELEMENTARY AND SECONDARY DAY SCHOOLS, 1955-71

States	1955 ¹	1959 ¹	1965	1969	1970	1971
United States.....	2,262,434	1,883,000	332,215	369,220	422,505	370,786
Alabama.....	300,000	90,843	2,703	NA	NA	-----
Alaska.....	6,100	4,501	NA	-----	-----	-----
Arizona.....	19,708	38,665	1,720	1,963	15,779	17,278
Arkansas.....	88,400	26,049	NA	526	-----	-----
California.....	110,000	45,000	NA	NA	41,993	66,742
Colorado.....	40,000	25,500	3,409	5,069	799	2,065
Connecticut.....	23,578	19,451	6,710	4,164	5,649	7,063
Delaware.....	NA	1,446	1,819	1,049	4,756	102
District of Columbia.....	8,978	17,199	2,134	4,045	520	-----
Florida.....	87,895	71,503	21,177	16,766	80,580	116,147
Georgia.....	40,000	99,810	14,140	11,137	4,697	4,544
Hawaii.....	7,538	1,763	NA	-----	-----	-----
Idaho.....	NA	9,927	NA	-----	-----	-----
Illinois.....	23,629	49,720	15,978	26,703	29,940	NA
Indiana.....	87,000	20,000	1,723	4,500	2,723	2,543
Iowa.....	64,000	30,000	NA	NA	-----	NA
Kansas.....	15,100	NA	NA	NA	-----	-----
Kentucky.....	65,000	33,073	1,977	733	3,254	-----
Louisiana.....	NA	31,950	16,498	1,835	24,708	-----
Maine.....	9,340	11,087	4,564	3,347	5,609	4,880
Maryland.....	47,211	73,516	17,466	13,454	22,836	21,331
Massachusetts.....	27,125	45,960	24,500	24,412	3,386	20,179
Michigan.....	90,301	131,075	27,450	34,234	-----	17,515
Minnesota.....	125,953	23,680	6,537	2,178	11,485	3,485
Mississippi.....	150,000	52,328	2,556	2,293	-----	-----
Missouri.....	4,200	44,800	NA	-----	-----	-----
Montana.....	6,132	4,540	4,762	8,429	910	NA
Nebraska.....	6,415	8,151	270	516	-----	-----
Nevada.....	6,092	5,288	NA	8,840	-----	NA
New Hampshire.....	4,931	4,342	NA	1,229	4,000	-----
New Jersey.....	42,409	78,512	40,000	38,842	29,600	32,521
New Mexico.....	15,000	15,843	3,514	1,765	-----	3,018
New York.....	137,000	266,000	85,510	100,600	75,000	35,919
North Carolina.....	NA	38,505	1,751	1,281	-----	-----
North Dakota.....	NA	2,300	NA	-----	-----	-----
Ohio.....	57,426	39,800	7,000	7,478	-----	-----
Oklahoma.....	36,000	20,154	413	-----	-----	-----
Oregon.....	4,500	8,825	353	1,493	450	-----
Pennsylvania.....	23,000	68,900	3,124	6,981	15,563	29,432
Rhode Island.....	4,862	5,387	1,117	1,096	7,175	-----
South Carolina.....	55,500	21,710	NA	-----	-----	-----
South Dakota.....	18,330	5,683	591	400	-----	-----
Tennessee.....	33,252	10,422	NA	-----	1,336	-----
Texas.....	4,495	115,694	1,360	6,122	NA	-----
Utah.....	21,961	14,504	3,322	10,394	-----	-----
Vermont.....	6,804	5,362	222	1,114	-----	-----
Virginia.....	81,593	69,128	6,295	8,787	-----	-----
Washington.....	77,231	30,389	697	NA	106	174
West Virginia.....	17,000	21,115	61	-----	-----	3,363
Wisconsin.....	NA	1,800	NA	1,942	-----	-----
Wyoming.....	3,000	1,620	NA	-----	NA	-----

¹ Number of pupils in excess normal capacity.

Source: "Statistics of Public Elementary and Secondary Day Schools," for selected years, Department of Health, Education, and Welfare.

TABLE 4-A.—NATIONAL TRENDS IN PUPIL-TEACHER RATIO IN FALL ENROLLMENTS BY STATE AND FOR SELECTED YEARS, 1958-73

States	1958	1964	1970	1973
United States.....	25.8	25.1	22.3	21.4
Alabama.....	30.0	28.5	24.4	22.5
Alaska.....	23.2	22.3	20.9	20.4
Arizona.....	27.2	24.0	23.4	24.4
Arkansas.....	30.4	26.7	21.9	25.0
California.....	29.0	27.7	24.0	22.2
Colorado.....	23.4	23.4	23.3	21.7
Connecticut.....	24.0	22.8	21.1	19.2
Delaware.....	22.6	22.7	22.0	21.2
District of Columbia.....	27.8	26.3	19.5	20.7
Florida.....	26.1	25.6	22.9	22.8
Georgia.....	28.6	28.0	25.0	23.9
Hawaii.....	29.6	28.7	22.6	22.7
Idaho.....	25.6	24.6	22.7	22.9
Illinois.....	23.3	23.7	21.1	20.9
Indiana.....	27.6	25.3	24.4	23.2
Iowa.....	22.5	22.6	20.2	19.3
Kansas.....	22.0	21.2	19.8	18.1
Kentucky.....	26.5	25.5	23.8	22.6
Louisiana.....	26.2	26.2	23.1	20.1
Maine.....	24.6	23.8	21.9	21.1
Maryland.....	26.4	25.4	22.5	21.3
Massachusetts.....	24.5	22.7	21.1	18.2
Michigan.....	25.2	26.9	23.4	23.2
Minnesota.....	24.4	23.9	21.0	20.6
Mississippi.....	33.7	29.3	23.7	22.1
Missouri.....	27.8	26.1	21.5	21.8
Montana.....	20.9	21.7	21.0	19.9
Nebraska.....	19.5	20.7	19.1	18.7
Nevada.....	24.3	24.0	25.7	24.3
New Hampshire.....	23.4	22.7	21.3	20.4
New Jersey.....	23.3	22.1	20.5	18.7
New Mexico.....	25.2	24.3	24.2	22.6
New York.....	23.3	22.3	19.6	19.1
North Carolina.....	27.7	27.0	24.1	22.9
North Dakota.....	19.1	20.8	19.2	18.3
Ohio.....	26.9	25.3	23.2	22.6
Oklahoma.....	27.0	26.9	22.2	21.8
Oregon.....	23.7	22.0	22.2	21.4
Pennsylvania.....	26.8	26.4	22.1	21.0
Rhode Island.....	25.4	23.7	20.9	19.6
South Carolina.....	28.0	27.2	22.3	23.3
South Dakota.....	18.1	20.2	19.1	19.4
Tennessee.....	27.1	28.9	25.4	24.3
Texas.....	26.4	25.3	21.9	21.3
Utah.....	27.8	26.9	26.8	24.7
Vermont.....	23.2	21.5	17.9	17.0
Virginia.....	26.5	25.5	22.5	21.0
Washington.....	23.2	24.2	24.5	24.1
West Virginia.....	27.0	27.0	24.1	22.1
Wisconsin.....	24.9	23.3	19.7	20.4
Wyoming.....	20.2	20.8	19.0	17.6

Source: Statistics of Public Elementary and Secondary Day Schools, selected years. DHEW, 1954 was 27.7 pupils.

TABLE 6-A.—NUMBER OF INSTRUCTION ROOMS AVAILABLE IN PUBLIC ELEMENTARY AND SECONDARY SCHOOLS, 50 STATES AND TOTAL FOR UNITED STATES, 1959-71

States	1959	1965	1970	1971
United States.....	1, 285, 552	1, 595, 150	1, 864, 300	1, 918, 000
Alabama.....	23, 693	28, 757	NA	NA
Alaska.....	1, 520	2, 339	3, 160	3, 246
Arizona.....	8, 952	15, 014	17, 881	NA
Arkansas.....	13, 867	16, 794	19, 085	19, 187
California.....	108, 000	156, 100	174, 900	NA
Colorado.....	14, 988	18, 698	22, 462	23, 610
Connecticut.....	16, 988	23, 056	NA	NA
Delaware.....	3, 150	4, 555	5, 449	5, 642
District of Columbia.....	3, 742	4, 461	5, 780	5, 845
Florida.....	30, 474	42, 243	51, 716	53, 517
Georgia.....	33, 666	38, 860	45, 176	45, 799
Hawaii.....	4, 994	6, 096	7, 456	7, 745
Idaho.....	6, 047	6, 981	7, 846	7, 923
Illinois.....	61, 561	78, 078	90, 897	101, 800
Indiana.....	33, 930	41, 950	49, 053	50, 238
Iowa.....	19, 915	27, 921	29, 266	29, 381
Kansas.....	NA	24, 873	25, 601	25, 958
Kentucky.....	21, 766	24, 691	28, 376	29, 162
Louisiana.....	25, 062	31, 596	36, 066	36, 166
Maine.....	7, 515	8, 802	10, 406	10, 463
Maryland.....	19, 095	25, 672	34, 374	35, 057
Massachusetts.....	36, 480	38, 400	45, 092	47, 659
Michigan.....	61, 943	69, 267	92, 083	93, 085
Minnesota.....	27, 216	33, 357	39, 754	41, 657
Mississippi.....	16, 534	20, 390	21, 977	22, 356
Missouri.....	27, 297	36, 079	40, 199	40, 182
Montana.....	6, 805	7, 877	8, 532	NA
Nebraska.....	14, 951	15, 354	16, 820	16, 701
Nevada.....	2, 327	4, 234	5, 015	5, 243
New Hampshire.....	4, 019	5, 209	6, 951	7, 059
New Jersey.....	35, 506	48, 700	59, 100	62, 734
New Mexico.....	7, 738	10, 718	12, 180	12, 583
New York.....	96, 900	119, 490	139, 699	143, 743
North Carolina.....	38, 599	46, 622	52, 918	53, 842
North Dakota.....	5, 950	7, 021	8, 055	7, 971
Ohio.....	65, 822	83, 775	NA	NA
Oklahoma.....	25, 997	24, 951	28, 963	27, 198
Oregon.....	14, 987	18, 890	21, 864	22, 479
Pennsylvania.....	68, 401	79, 155	91, 696	93, 364
Rhode Island.....	4, 584	5, 957	7, 539	7, 827
South Carolina.....	20, 000	22, 382	25, 656	28, 834
South Dakota.....	8, 324	8, 019	7, 718	7, 714
Tennessee.....	24, 913	32, 237	33, 967	34, 521
Texas.....	75, 251	97, 656	118, 644	NA
Utah.....	7, 619	10, 078	11, 467	11, 548
Vermont.....	2, 972	3, 529	5, 534	5, 914
Virginia.....	28, 501	36, 602	49, 000	50, 622
Washington.....	23, 496	28, 940	34, 988	35, 915
West Virginia.....	16, 229	16, 374	16, 514	16, 825
Wisconsin.....	31, 241	32, 347	41, 532	41, 171
Wyoming.....	3, 387	4, 013	NA	NA

Source: Statistics of Public Elementary and Secondary Day Schools for selected years, DHEW.

TABLE 7-A.—RATIO OF ENROLLMENT TO NUMBER OF INSTRUCTION ROOMS AVAILABLE IN PUBLIC ELEMENTARY AND SECONDARY SCHOOLS

Year	Enrollment	Instructional rooms available	Ratio
1959.....	35, 286, 177	1, 285, 552	27. 45
1965.....	42, 143, 504	1, 595, 150	26. 42
1970.....	45, 909, 088	1, 864, 300	24. 63
1971.....	46, 081, 000	1, 918, 000	24. 03
1972.....	45, 754, 000	1, 951, 742	23. 40
1973.....	45, 486, 292	1, 986, 888	22. 89
1974.....	45, 012, 000		

¹ Data extrapolated on the basis of number of instruction rooms completed less an estimate of those abandoned.

Source: Statistics for public elementary and secondary day schools, HEW.

GEORGIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

RESOLUTION SUPPORTING A NATIONAL PROGRAM FOR PUBLIC SCHOOL
CONSTRUCTION

Whereas the general state of the economy has generated a large number of unemployed persons in the construction and related materials industries; and

Whereas the State of Georgia has demonstrated need for the modernization and construction of educational facilities approximating One Billion Dollars; and

Whereas there is an extensive need to modernize school buildings to create more efficient units to reduce energy consumption; and

Whereas the members of the Georgia Association of School Business Officials believe that the quality of educational opportunity depends to a great extent upon the provision of equal educational facilities: Now, therefore be it

Resolved, That the Georgia Association of School Business Officials does hereby endorse and support the position of the Honorable Jack Nix, State Superintendent of Schools of the State of Georgia, and the Georgia School Planners Association regarding a public building program involving the construction and modernization of school buildings in the school districts of our nation; and be it further

Resolved, That the Secretary of the Georgia Association of School Business Officials transmit a copy of this Resolution to the Honorable Jennings Randolph, Senator (West Virginia), to the Honorable Herman Talmadge, Senator (Georgia) and the Honorable Sam Nunn, Senator (Georgia).

Done at Atlanta, Georgia, April 21, 1975.

(Attest) CHARLES L. PRUET,
President.

(Attest) ELLIS SAMMONS,
Secretary-Treasurer.

RESOLUTION

Whereas the unemployment rate has escalated dramatically during the past year and continues to increase; and

Whereas the labor force of this nation represents one of our most valuable resources; and

Whereas the federal government has appropriated some federal monies to provide public works jobs; and

Whereas there does exist within all public school systems millions of dollars of capital improvement needs; therefore be it

Resolved, That members of the Southern Association of School Business Officials call on all members of Congress and the President of the United States to establish a massive public works program to improve the nation's educational facilities.

EXCERPT FROM THE MINUTES OF THE MEETING OF THE DEKALB COUNTY BOARD OF
EDUCATION ON MONDAY, APRIL 7, 1975

RESOLUTION

Whereas, the DeKalb County Board of Education recognizes the serious economic situation in the United States and the growing rate of unemployment; and

Whereas, the United States Congress has appropriated billions of dollars for public works projects and is at present considering other such legislation in an effort to strengthen the economic situation in our nation and provide jobs for the unemployed; and

Whereas, a substantial number of those unemployed in the country are in the building trade and are desirous of being involved in productive work activities rather than receive welfare assistance or unemployment benefits; and

Whereas, the public schools of the nation are in great need of building renovations, modernizations, the replacement of obsolete facilities and new and additional facilities to provide for the educational needs of the young people and adults; and

Whereas, the educational opportunities for the youth and adults of our nation can be greatly enhanced by the improvement of facilities and the learning environment; and

Whereas, boards of education throughout our nation are charged with the responsibility of providing personnel, facilities and resources to meet the educational needs of students; and

Whereas, educators and boards of education throughout the nation recognize the need to improve career and occupational skills, expand vocational-technical education programs and activities, and provide facilities for the purpose of enhancing educational opportunities to prepare the youth and adults at all grade levels for the world of work; and

Whereas, boards of education have the organizational structure to employ immediately personnel and implement programs which could be financed by the Federal Government without necessitating the creation or financing of other bureaus or agencies: Now therefore be it

Resolved, That the DeKalb County Board of Education believes that a substantial share of the funds appropriated for public works projects by the Congress of the United States should be allocated for the improvement and addition of physical facilities for the public schools of the nation, including renovation, modernization, and replacement of obsolete facilities; the construction of new and additional facilities and the employment of personnel to begin working immediately on construction projects; and be it finally

Resolved, That copies of this Resolution be transmitted to the President of the United States, the Georgia Congressional Delegation, the Georgia State Superintendent of Schools, the Georgia Association of School Superintendents, the Georgia and National School Boards Associations, the American Association of School Administrators, the Association of Community College Trustees, the Georgia School Planners Association, and other such organizations as the DeKalb Board of Education and the Superintendent of Schools may deem necessary.

I, James H. Hinson, Jr., Superintendent of the DeKalb County Schools, do hereby certify that the foregoing resolution was adopted by the DeKalb County Board of Education at the meeting on Monday, April 7, 1975.

JAMES H. HINSON, JR.,

Superintendent, DeKalb County Schools.

APRIL 8, 1975.

RESOLUTION SUPPORTING POSITION STATEMENT REGARDING NATIONAL PROGRAM FOR PUBLIC SCHOOL CONSTRUCTION

Whereas the general state of the economy has generated a large number of unemployed persons in the construction and related materials industries; and

Whereas the State of Georgia has a demonstrated need for the modernization and construction of educational facilities approximating One Billion Dollars; and

Whereas there is an extensive need to modernize school buildings to create more energy efficient units to reduce energy consumption; and

Resolved, That the Cobb County Board of Education does hereby endorse and support the position of the Honorable Jack Nix, State Superintendent of Schools of the State of Georgia, regarding a public building program involving the construction and modernization of school buildings in the school districts of our nation; and be it further

Resolved, That we believe that such a program will make a substantial contribution towards alleviating the current unemployment problem, improving energy usage rates in the schools and helping to equalize the quality of educational facilities throughout the nation, be it finally

Resolved, That copies of this Resolution be transmitted to the President of the United States, the Georgia Congressional Delegation, the Georgia State Superintendent of Schools, the Georgia Association of School Superintendents, the Georgia and National School Boards associations, the American Association of School Administrators, and other such organizations as the Cobb County Board of Education and the Superintendent of Schools may deem necessary.

I, Kermit Keenum, Superintendent of the Cobb County School System, do hereby certify that the foregoing resolution was adopted by the Cobb County Board of Education at the meeting on April 9, 1975.

KERMIT KEENUM,

Superintendent, Cobb County Schools.

RESOLUTION SUPPORTING POSITION STATEMENT OF DR. JACK NIX REGARDING
NATIONAL PROGRAM FOR PUBLIC SCHOOL CONSTRUCTION

Whereas the general state of the economy has generated a large number of unemployed persons in the construction and related materials industries; and

Whereas the State of Georgia has a demonstrated need for the modernization and construction of educational facilities approximating One Billion Dollars; and

Whereas there is an extensive need to modernize school buildings to create more energy efficient units to reduce energy consumption; and

Whereas the members of the Georgia School Planners Association believe that the equality of educational opportunity depends to a great extent upon the provision of equal educational facilities; now, therefore, be it

Resolved, That the Georgia School Planners Association does hereby endorse and support the position of the Honorable Jack Nix, State Superintendent of Schools of the State of Georgia regarding a public building program involving the construction and Modernization of school buildings in the school districts of our nation; and be it further

Resolved, That we believe that such a program will make a substantial contribution towards alleviating the current unemployment problem, improving energy usage rates in the schools and helping to equalize the quality of educational facilities throughout the nation.

POSITION STATEMENT—NATIONAL PROGRAM FOR PUBLIC SCHOOL CONSTRUCTION

Today, the people of the United States face a number of significant issues that have dire implications for the future of our Nation. We believe the most critical of these are the present state of the economy with the accompanying rate of unemployment and the energy problem. Substantial contributions can be made toward the resolution of both of these problems through the implementation of a public building program involving the replacement of old and obsolete school buildings and the modernization of many existing ones. Among the highest of the unemployed in industry are those involved in the construction trades, as well as, those in related manufacturing occupations employed in the production of building materials and equipment.

There is a great need throughout our Nation to replace and modernize many old and worn out school buildings that are obsolete for educational purposes and greatly inefficient from the standpoint of energy utilization. Likewise, there is a need to equalize the quality of the housing used for education purposes among the school districts of the Nation. The equality of educational opportunity rests substantially upon the provision of equal educational facilities. Therefore, a public building program involving the construction and modernization of schools would make a substantial contribution towards the resolution of the current unemployment problem, improve energy usage rates in the schools and, at the same time, help equalize the quality of educational facilities throughout the Nation. Such a program could make a lasting contribution to public education in our Nation.

A major public school construction program could be put into place rather quickly. Many trained personnel are available already. Most states already have the machinery needed for allocating funds, approving building projects and monitoring the construction program. For this reason, should a major public school building program be implemented, the funds should flow through the states. The building program should be planned, implemented and monitored by the state educational agency in accord with minimal guidelines to insure the proper use of funds.

The eligibility for funds should be based on the level of unemployment in the local school district. The allocation of funds should be made on a per capita basis in relation to the number and level of unemployment in the state and/or those local school districts which prove the need and their eligibility for the available funds.

The program should be a continuing one with funds for public school construction being made available to any state and/or part of a state where the employment rate falls below a predetermined minimum rate considered acceptable to a sound economy.

ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES,
Washington, D.C., May 6, 1975.

Dr. JACK NIX,
State Superintendent of Schools,
Atlanta, Ga.

DEAR JACK: At the meeting of the Board of Directors of the Association of Community College Trustees held at the Broadmoor Hotel in Colorado Springs on April 18, the following resolution was adopted to be presented to the Full Senate at the annual meeting of the Association to be held in October at Miami Beach: A.C.C.T. urges the Congress of the U.S. when considering the legislation to provide emergency funds for the purpose of creating public service jobs and public works programs to specify and designate that such legislation provide substantial allocation to public schools and community colleges of the nation for improvement, modernization and replacement of obsolete facilities, the construction of new and additional facilities, and the employment of personnel to begin working immediately on such construction projects.

This might be of some help in getting Congress to appropriate funds for the expansion of vocational-technical, career, and occupational educational facilities and programs.

With kindest regards, I am.

Sincerely,

GEORGE R. FELLOWS,

De Kalb County Board of Education; President, Association of Community College Trustees.

A RESOLUTION

Whereas the Douglas County Board of Education recognizes the serious economic situation in the United States and the growing rate of unemployment; and

Whereas the United States Congress has appropriated billions of dollars for public works projects and are at present considering other such legislation in an effort to strengthen the economic situation in our nation and provide jobs for the unemployed; and

Whereas a substantial number of those unemployed in the country are in the building trade and are desirous of being involved in productive work activities rather than welfare assistance or unemployment benefits; and

Whereas the public schools of the nation are in great need of building renovations, modernization, the replacement of obsolete facilities and new and additional facilities to provide for the educational needs of the young people and adults; and

Whereas the educational opportunities for the youth and adults of our nation can be greatly enhanced by the improvement of facilities and the learning environment; and

Whereas Boards of Education throughout our nation are charged with the responsibility of providing personnel, facilities and resources to meet the educational needs of students; and

Whereas Boards of Education have the organizational structure to immediately employ personnel and implement programs which could be financed by the Federal Government without necessitating the creation or financing of other bureaus or agencies. Now, therefore, be it

Resolved, That the Douglas County Board of Education believes that a substantial share of the funds appropriated for public works projects by the Congress of the United States should be allocated for the improvement of physical facilities for the public schools of the nation, including renovations, modernizations, replacement of obsolete facilities, the construction of new and additional facilities, and the employment of personnel to immediately begin working on construction projects; and be it finally

Resolved, That copies of this Resolution be transmitted to the President of the United States, the Georgia Congressional Delegation, the Georgia State Superintendent of Schools, the Georgia Association of School Superintendents, the Georgia and National School Boards Association, the American Association of School Administrators, and other such organizations as the Douglas County Board of Education and the Superintendent of Schools may deem necessary.

I, Robert S. Alexander, Superintendent of the Douglas County Schools, do hereby certify that the foregoing resolution was adopted by the Douglas County Board of Education at the meeting on Monday, April 7, 1975.

ROBERT S. ALEXANDER,
Superintendent, Douglas County Schools.

APRIL 7, 1975.

Senator RANDOLPH. Dr. Warren Lindquist.

**STATEMENT OF WARREN T. LINDQUIST, PERSONAL ASSISTANT TO
DAVID ROCKEFELLER FOR DEVELOPMENT AND PUBLIC AFFAIRS**

Senator RANDOLPH. I am going to make a brief statement, Mr. Lindquist, so that the record may indicate that you are here not perhaps regarding the specifics of the thing we are discussing but that you are here intensely interested in the general thinking that goes into various approaches to economic planning. I know that you will indicate, of course, your association. You are a personal assistant to David Rockefeller for the development and public affairs programs with the national growth policy as a backdrop.

Is that correct?

Mr. LINDQUIST. That is correct, sir.

Senator RANDOLPH. I think you have been in that particular type of work for 21 years. You have been thinking especially perhaps these past few years about the need for balanced economic growth. That is very important as we consider legislation that we address today on this general subject.

Our hearings have been concentrated more, and understandably so, on the immediate issues of those projects and programs to stimulate, to strengthen the economy on a rather quick basis hopefully that would have carryover. As you discuss the national growth policy, I think it fits naturally into the list of witnesses who have talked with us today. I believe in a growth policy. If we had such a policy, it could have prevented, at least in a substantial degree, the difficulties in which our country and our people find themselves today.

This would be especially true, I think, if we were to focus on the energy crisis. The energy crisis is distressing because if we had higher prices for imported petroleum or another embargo who knows when it might happen. We would be in deeper trouble than we were many months ago when that first crisis came with the embargo with the Mideast oil.

As we focus on the immediate problems we think of the balanced growth problems over its long period. We need to do it now. I am sure because of your background, your expertise, that you can help us. We need understanding initiatives which will be necessary if this job is to be properly done.

Would you now go into your testimony? Or handle the subject matter as you desire. You might speak to the points of your testimony rather than to read perhaps a full statement. But I permit your way if you don't work it too long.

Mr. LINDQUIST. Senator, thank you very much. You have anticipated a lot that I have been thinking that I have included in my testimony. I don't know. I suppose for the record I should read in my name is Warren T. Lindquist. I am on the personal staff of David Rockefeller of New York. I have been working with him for more than 20 years in connection with various business matters as well as with respect to his interest in the citizenship role of business. I am testifying today as an individual and the views expressed are my own. That doesn't necessarily mean that my boss disagrees with all of them.

Senator RANDOLPH. How often do you and Mr. Rockefeller talk about this subject?

Mr. LINDQUIST. Not terribly often. But when we do it is usually for a relatively long time. It is not on a regular basis but maybe two, three, four times a month, depending.

Senator RANDOLPH. You confer not only one to the other but you come and talk to a third party or others. Is that correct?

Mr. LINDQUIST. Yes, sir; we do.

Senator RANDOLPH. And the Congress as well?

Mr. LINDQUIST. Yes, sir. I have spent some time doing this with him but mostly alone. However, my interest in the national growth policy did not begin in the first years of association with Mr. Rockefeller, but has evolved over the years that we have worked together on various problems, which have made it increasingly apparent to us that there is a need for such a policy.

I am very pleased to be able to testify. As you said I might, I shall speak with respect to the more general and long-term aspects of the concerns of your committee rather than to the specific legislation which is the subject of your immediate consideration.

This brief opening statement will be directed to a discussion of the need for a national growth policy as an essential prerequisite for your development of a National Public Investment policy which could inform your judgment with respect to such urgent rescue proposals as are before you now, and as you have already said, hopefully lead to the kind of long-range national growth and development which would make the need for these crisis efforts less frequent.

In the words of Congressman Blatnik, when I testified before the Public Works Committee of the House, he said:

Federal programs under the jurisdiction of the Public Works Committee form and direct growth patterns for the future even as they respond to present needs.

One thing I should like to emphasize at the outset is that we are talking about a growth policy. From your remarks about Roosevelt's first 100 days I am relatively sure that I am going to be on friendly ground when I talk about the need for a growth policy and when I maintain that any contention that a zero growth policy merits consideration is foolish and to give such a policy any consideration would be unworthy.

I am reluctant to even say some of these things to you because I know you understand them so much better than I. But I will say them anyway.

If our Nation is to accommodate the millions of additional citizens that we are going to have by the end of this century; if we are going to bring the millions of our present citizens who are presently living poorly, up to the living standard of humanity and dignity, which are enjoyed by the majority; if we are to meet the rising aspirations of a free and dynamic society, the growth required will be enormous. To guide that growth so that it contributes to the accomplishment of our national goals is the purpose of a national growth policy.

If we accept the reality of growth, there are other realities which must be accepted. Some of these are physical, some are political. Some of the physical ones are:

There are limits to the availability of manpower, energy, raw materials; and capital. With respect to the latter one, studies indicate within the next 10 years we are going to be short by some \$650 billion of capital to serve the growth needs of our Nation. That includes housing as well as industrial development and public investment.

The great bulk of our growth will occur in our existing metropolitan areas. I know recent statistics suggest otherwise. However, if you read carefully looking at percentages you will see within the next 20, 30 years certainly, our growth will occur in our metropolitan areas.

The satisfaction of national energy needs can be a factor supporting rural growth objectives in our coal and oil-shale areas.

The satisfaction of our own and worldwide food needs can be a factor supporting rural growth objectives in our agricultural areas. I am still running through some of the physical factors that control any consideration with respect to the development of a responsible national growth policy.

Senator RANDOLPH. I interrupt you not to enter into colloquy. But you mentioned the energy situation.

Mr. LINDQUIST. Yes, sir.

Senator RANDOLPH. You heard what I said earlier talking about the energy picture. Do you share that view or do you think I overstated it.

Mr. LINDQUIST. I do share your views. I think it is absolutely essential we take an overall view of the energy requirements for the whole country. We need a national choicemaking mechanism to reconcile and join the regional and national interests, the energy and environmental concerns; if we remain stymied in our ability to choose constructively, we will get disaster by default.

Since we are a free-enterprise society, the actual business of mobilizing, channeling and employing the resources to accomplish the great bulk of the national growth is up to the private sector. It is the public sector's job to influence the private sector's efforts so that the resulting development serves the national interest.

To mention a couple of political realities:

The pursuit of its own self-interest by each political jurisdiction, from the town up to the State, does not necessarily add up to the national interest.

Plans which call for the improvement of the lot of any minority at the expense of the majority are more apt to be cheered than accomplished.

Now, having talked about some of the realities which a serious effort to shape national growth policy must recognize, let's say what national growth policy cannot be and what it can be. It cannot be a master plan or detailed blueprint prescribing the physical development of the entire Nation to the end of the century or to any other date.

It can be a body of principle which recognizes the aspiration of our Nation's founders and the aspirations of the existing electorate.

Having talked about the need for a national growth policy, realities affecting its shaping, and what it can be, we come to the questions: Who is to devise and articulate the policy? How? And how will it be implemented?

To begin our consideration of these questions. I would like to suggest that we look at title VII of the 1970 Housing Act. This title provides for the designation of an identified unit within the Domestic Council to develop and report to Congress biannually with respect to a national urban growth policy. The word "urban" should be dropped. The actual work implied by this concept must be performed by the executive branch. However, the legislative branch must play a key role in policy determination. To satisfy this requirement, perhaps,

from among appropriate standing committees of both Houses, a joint committee of Congress should be created to be advisory to the Domestic Council unit on a day-to-day basis with respect to policy determination and the political realities of its implementation.

The powers of the unit and of its Director should be those of recommendation and administration; recommendation would be to the President of the United States. His approval of a recommendation would commit him to coordinate and allot the resources and efforts of the several departments necessary to support it.

As the policy principles were approved by the President and endorsed by the Congress, the effort at national implementation could work something as the Marshall plan worked after World War II and as some of our efforts to encourage and support international growth have worked since.

Representatives of the unit would work with State and regional jurisdictions in the planning and execution of development programs consistent with the local interest and consistent with the national growth policy.

In addition, a \$2 billion revolving fund should be established to be administered by the New Community Development Corporation of HUD, under the policy direction of the unit.

The fund would be used for loans to cooperating jurisdictions in support of land acquisition and perhaps other recoverable capital expenditures in furtherance of approved programs.

Throughout the whole national growth policy planning process, the respective roles of the public and private sectors must be understood and policy developed accordingly. As suggested earlier, the bulk of the national growth and investment effort will be by the private sector. To hope that, "everyone doing his own thing" will somehow add up to the service of the general welfare is not real. But, it is real to believe that judicious public investment can create the infrastructure and support which will have a significant and controlling impact on where private investment and development occurs.

Title VII treats new community development as an essential element of national growth policy and provides for a degree of combined public and private sector effort to affect that development.

It recognizes as new communities, suburban, and rural growth centers, new towns in town, satellite cities, and freestanding new towns; its philosophy is one of balanced national growth.

While it is expected that only about 20 percent of our national growth can be accommodated in new communities by the end of the century, that 20 percent is very important in its direct and indirect impact: direct in channeling growth where it should go, in the national as well as the regional and local interest, indirect in relieving our metropolitan areas of pressures which will frustrate their ability to guide the growth which their inevitable share of the population increase will oblige them to accept.

Among the factors inhibiting new community development on the scale necessary and in the locations where it should take place is the lack of adequate financing for land acquisition and development.

Title VII has not been effective in this regard; and, given the size and nature of the need, it is not presently and cannot be enough. A quasi-public bank should be created to fill this financing gap. In addi-

tion to and in fact as a part of participating in new community developing financing, such an institution could be a link between the public and private sectors.

It could help with the economic feasibility evaluation of proposed new communities; it could advise with respect to the business environment which exists or could be created through judicious use of public resources; it could be instrumental in influencing suitable industrial and commercial commitments to insure an economic base and viability; and it could be a credible middleman between the new community developer and the Federal, State, and local governments.

When David Rockefeller suggested this idea in a talk to the Regional Plan Association in February of 1971, he hoped it could be accomplished entirely with private sector financing. Under present circumstances this is not likely.

It now appears that initially a relatively small amount of public startup money would be required; at most \$100 million and hopefully much less. Initially some guarantee with respect to the quasi-public bank's debt would probably be necessary.

As the bank built credit confidence and earnings, its debt would be salable on its own credit—for example, as in the case of the Port Authority of New York and New Jersey.

These structures and processes for the development, articulation, and implementation of a dynamic national growth policy could provide the following opportunities:

The Congress could participate effectively in national growth policy formulation and its supervision and implementation. The proposed Joint Committee could provide the overview; the Public Works Committees could develop coherent public investment policies to guide their funds allocation; the other committees could formulate their programs and discharge their responsibilities within a coherent understanding of the national objectives.

The executive branch could satisfy its national growth policy responsibilities.

The States could participate in the national growth and development process without sacrifice of sovereignty or self-determination.

The private sector would benefit from an environment which would support its growth and geographic distribution on a basis consistent with a perceived and directed long-term national interest.

Thank you.

Senator RANDOLPH. Thank you very much. What is the role as you understand it, and you touched it very briefly, of public works in the program that you talk about? Where would you place the public works program in this long-range planning effort for balanced growth?

Mr. LINDQUIST. Senator, in my view if we did have the joint committee which I have discussed and if we did have the national growth policy planning process as I have discussed it, the two Public Works Committees of the Congress, the House and the Senate could then develop coherent investment policies which could guide their investment in the public works coming under those jurisdictions in a way which would support the kind of private growth and development as well as public growth and development necessary to support or to carry out the Nation's long-term goals.

Specifically, when funds were allotted for roads, it would be recognized that the area served by those roads would be influenced as to the kind and the amount of development which would occur around them. The same could be true of water and various other matters.

Senator RANDOLPH. You have said at the beginning you were giving your personal thinking. Does this reflect at least in some degree also, the thinking of the membership in your group? I am not sure how broad based that is.

Mr. LINDQUIST. There isn't really a group. I work directly with Mr. Rockefeller, of course, seeking the opinion and advice of others.

Senator RANDOLPH. There is no formal group then?

Mr. LINDQUIST. There is no formal group, no, sir. But I can say that the kind of thinking that I have just described is certainly that of Mr. Rockefeller's as well as mine.

Senator RANDOLPH. Senator Domenici of New Mexico and I have been talking several times, not only one to the other but with others about the need, the possibility at least for legislation which would authorize a White House conference on a balanced national growth and economic development program.

We think that such a conference might help to focus attention, as you are focusing attention here today, on the need for such policies. I am not asking for your endorsement of such a conference. But do you think that such a conference might aid us in the national debate that might follow on the matters that you have indicated are important as you have testified today?

Mr. LINDQUIST. Senator, you didn't ask for my endorsement. I would eagerly give it. I think that such a conference would be extremely useful in focusing the national attention on the void of national growth policy. One of the problems is the confusion and lack of understanding with respect to what a national growth policy is, which is why I have made the point in my statement that it is the choosing of a body of principle. It is really a process.

The other thing that this great public exposure would do, would be to focus on the need for reconciliation of various conflicting objectives, which must be dealt with if a true policy is to be evolved.

One of the very great difficulties we have is the choice making process in our society. We are perfectly capable of choosing two programs which are themselves necessarily mutually contradictory.

In New York City, we decided that the local people should have control of their schools. Having decided that, we decided in favor of busing. The people wound up controlling their area schools with their children going to school someplace else.

Senator RANDOLPH. Dr. Lindquist, I remember it was felt if a new form of government was established for the city, they could solve their problems. Frankly, they think that they are having more difficulty solving them under the so-called metrohead than they were in the separate entities. Would you like to comment on that?

Mr. LINDQUIST. I do not believe in the establishment of metropolitan governments. Incidentally, Senator, I am complimented to become doctor. But I am just mister.

Senator RANDOLPH. Well, we will give you an honorary degree sometime.

In New York City, you have the same picture as Miami in a different degree except greater. There was a time when how many boroughs were in New York?

Mr. LINDQUIST. Again, you anticipated me. Initially, New York was five separate cities. Then they combined them into one city with five boroughs. Now there is talk about separating into cities again.

Senator RANDOLPH. Is this a trend because New York City is not being able to solve its problems under the umbrella if we break apart perhaps we can do a little better; is there a trend in that way?

Mr. LINDQUIST. I think, Senator, there is a trend. I think we should recognize our country has gotten so full of people and our technology is at a point where we are so interdependent that we must have various clear levels of authority and responsibility at various levels of government.

I think at the local level we should have those considerations controlled by the local people, which affect them primarily and do not necessarily affect or do not adversely affect the larger community of which they are a part. I think at the citywide level the same kinds of considerations should apply. Then the same for the State level, and finally for the Federal level.

While I do not believe in attempting to conglomerate the jurisdictions which are within a metropolitan area into one combined area, I do believe that the responsibility and authority should go together with respect to each jurisdiction. We have too many cases now where one jurisdiction in serving its local interest can frustrate the general interest.

One example which comes to mind is the town of Mahwah, which is located some 30, 40 miles from New York City. Mahwah has a Ford Motor plant.

Senator RANDOLPH. Spell that for me.

Mr. LINDQUIST. I was afraid you were going to ask that. M-a-h-w-a-h.

Senator RANDOLPH. Is that in New Jersey?

Mr. LINDQUIST. Yes, sir, it is. It is on the west side of the Hudson. It is pretty well known because it does have this big Ford assembly plant. The workers in the plant are some 5,000.

The zoning in Mahwah is such that the people who work in the plant cannot afford to live there. Mahwah enjoys the benefits of the tax base that the plant provides, but New York City provides much of the housing and costly related services the employees require.

Senator RANDOLPH. Would you say, Mr. Lindquist that even though we have been discussing the smaller units of political subdivisions of governments, that this does not lessen the need for the national growth policy, it just accentuates it?

Mr. LINDQUIST. I would agree with that entirely because the smaller units cannot provide for themselves except in a larger context. For example, the bulk of our industrial areas are energy importers. It certainly is in the interest of the Nation as a whole that the energy they require be available to them.

Senator RANDOLPH. Mr. Lindquist, I remember 10, 15, 20 years ago when people were telling me with the very attractive brochures that Columbia was the way to the future. That is Columbia, Md., the new town which would be possessed within its own environs, all of its own necessities to make it click.

The same was true in Reston, Va. Now I am not attempting to evaluate these situations. But I am wondering if these so-called new towns are, in your thinking, perhaps as good a way to have this policy

that you mentioned as it would be to take some towns that are in being where roots are down and do a rehabilitation job?

Mr. LINDQUIST. Senator, I think that is a very perceptive question. I am happy to say that title VII applies not only to the free-standing new towns and the satellite new towns such as Columbia and Reston, but it does provide for growth centers, which could take advantage of the roots and the investments that are already there. As I have indicated earlier, it is my belief that the bulk of our population increase will occur in our metropolitan areas. There has to be some rationalization of that population increase or we are going to have a kind of continuation of the spreading metropolitan structure which is ultimately self-destructive of the values those causing it are seeking.

Certainly built-up closely developed areas are more energy economic than spread out developments. Even if we do go into a dispersal it should not be on a spread basis, but on the kind of basis you suggest where we take a sound base outline from the central city and then build on it.

With the shortage of capital facing us, with the shortage of resources facing us, it hardly seems wise in the long term national interest to unnecessarily replace the heavy investments which are already in place in cities. It is better to build on the investment that has been built in than to go out and repeat that kind of investment.

We have to look at political realities and the difficulty of the political choice making process. We tend for political reasons too often to emulate the tea party in Alice in Wonderland. Instead of cleaning up our dishes, we just keep moving on to clean dishes; even the Mad Hatter eventually winds up with dirty dishes; so it is with our cities. Instead of preserving and renewing them, we just keep moving on to new developments where the economics of politics make it relatively more attractive.

That is what is happening in our cities, in the outlying areas around them. People find that the very values that they moved out to enjoy are ultimately frustrated by the process of which they have been a part.

Senator RANDOLPH. Mr. Lindquist, you are familiar with the Appalachian Regional Commission?

Mr. LINDQUIST. Yes, I am.

Senator RANDOLPH. And other commissions that have been brought into being. You understand that Title V Regional Action Planning Commissions are authorized through the Economic Development Act. It is not always easy to benefit an entire region, but it is possible within the Commission idea to think in terms of a direct participation of States or parts of States, through the personal application of the Governors to the problems.

That is at the high level of Governor consideration. We are hoping that this decisionmaking process will be even more effective in the future than it has been in the past. We have been trying to point to the Governors for the necessity of trying to get close to what is done.

I think you and I can agree we cannot look at these matters from afar and settle them.

The vote Monday on the continuation of the Appalachian Regional Commission, was 308 to 83. There were only 83 votes against the con-

tinuation of the program. I am not sure how that vote Monday would line up along the voting pattern of earlier years. But it was 308 to 83. So we have had this program now for 10 years.

We were trying something there. We recognize it. We have a feeling that generally it has been on the positive side. And that the projects that have been undertaken have strengthened the areas on a regional basis.

As we come to the national growth policy, are you prepared to say to us today that, even though you look upon that as a necessity in the programing and planning for the future, it is absolutely essential? I agree with you. Had we had that in connection with our energy problems we would have not been caught short; is that correct?

Mr. LINDQUIST. That is correct.

Senator RANDOLPH. Had we had a policy and program—

Mr. LINDQUIST. The reason I stumbled was because I was thinking of the difficulties of evolving such a policy. That is all the more reason why we had to have the national growth policy.

Senator RANDOLPH. We had that with the Defense policy but it changes from time to time. We certainly have had it with transportation policy. You have to lay it down at least in rather broad and understandable terms. Then you move out from it when the reason seems sufficient to cause you to do so.

Certainly, we need a fuels and energy policy. We should have had it long ago. What I am appreciative of today is we felt this was the opportunity which we should give to you and it would be helpful to us to call in to our thinking processes the need for acting before the fact rather than after the fact.

When we deal with these problems of immediate unemployment, we have got to take care of them now as I stressed in the beginning. But the longer range programs, they certainly can go along with the current activation of programs. Do you feel that?

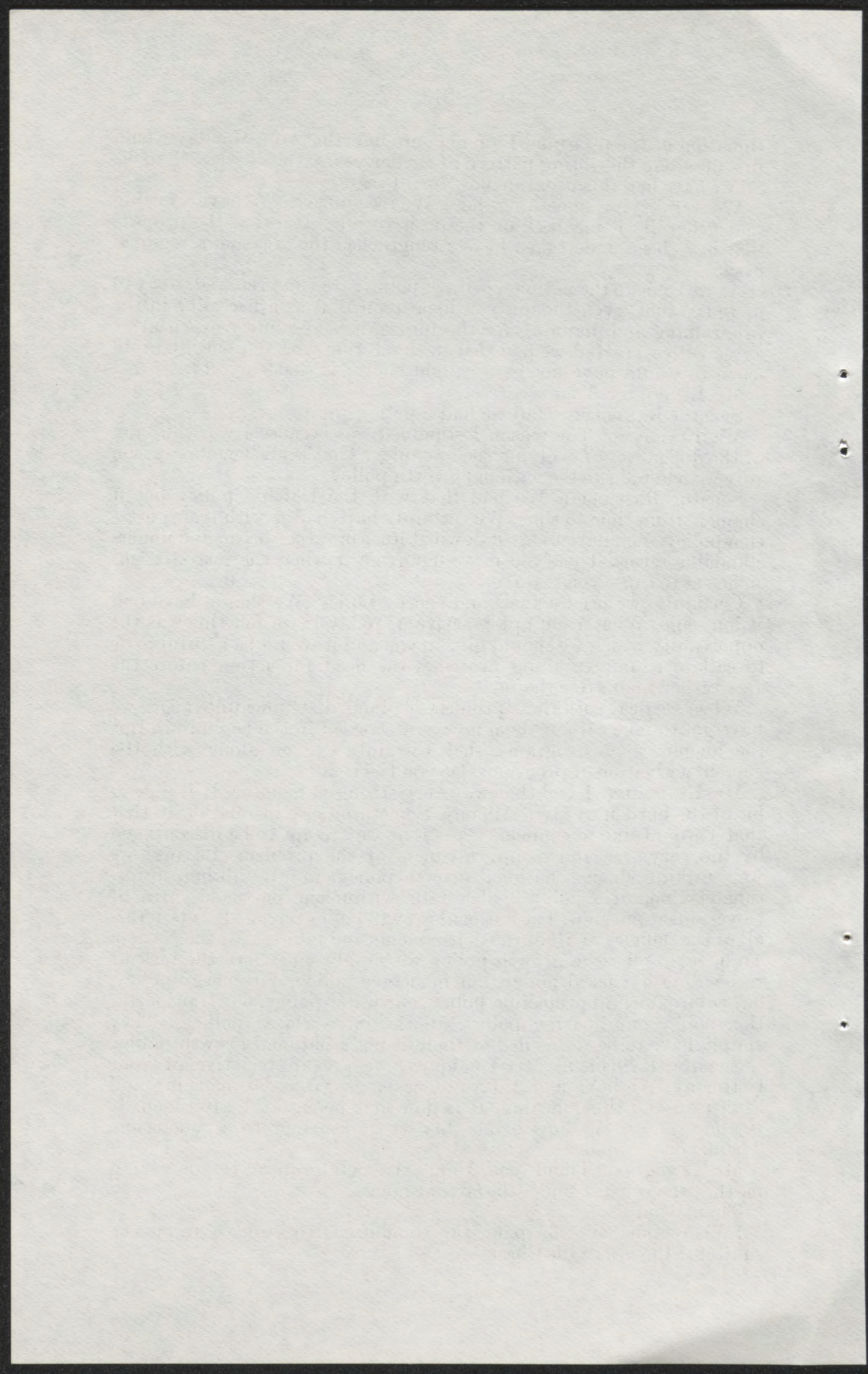
Mr. LINDQUIST. I feel that way very strongly, Senator. It is a good bit of the burden of my testimony. Something else in relation to that that I would like to comment on is that we are apt to be discouraged by the very size and complicatedness of the problem. Because we were talking about a national growth policy, we are talking, unfortunately, not of a policy which falls within one particular area of Government purview. The national growth policy obviously cuts across all of the policies of all of the departments and interests of the Nation. To have an effective growth policy we simply must face the task of reconciling our fiscal policy, our monetary policy, our energy policy, our environmental protection policy, our water policy, our transportation policy our housing policy, all the inter-related policies. They simply have to be reconciled or there is not a national growth policy.

Senator RANDOLPH. Mr. Lindquist, we are appreciative of your testimony. We have had 2 days of hearings, yesterday morning and afternoon and this morning. It is now moving into the afternoon. It is almost 1:30. We now bring this set of hearings to a conclusion. Thank you very much.

Mr. LINDQUIST. Thank you. I am extremely grateful to you giving me the time you did, under the circumstances.

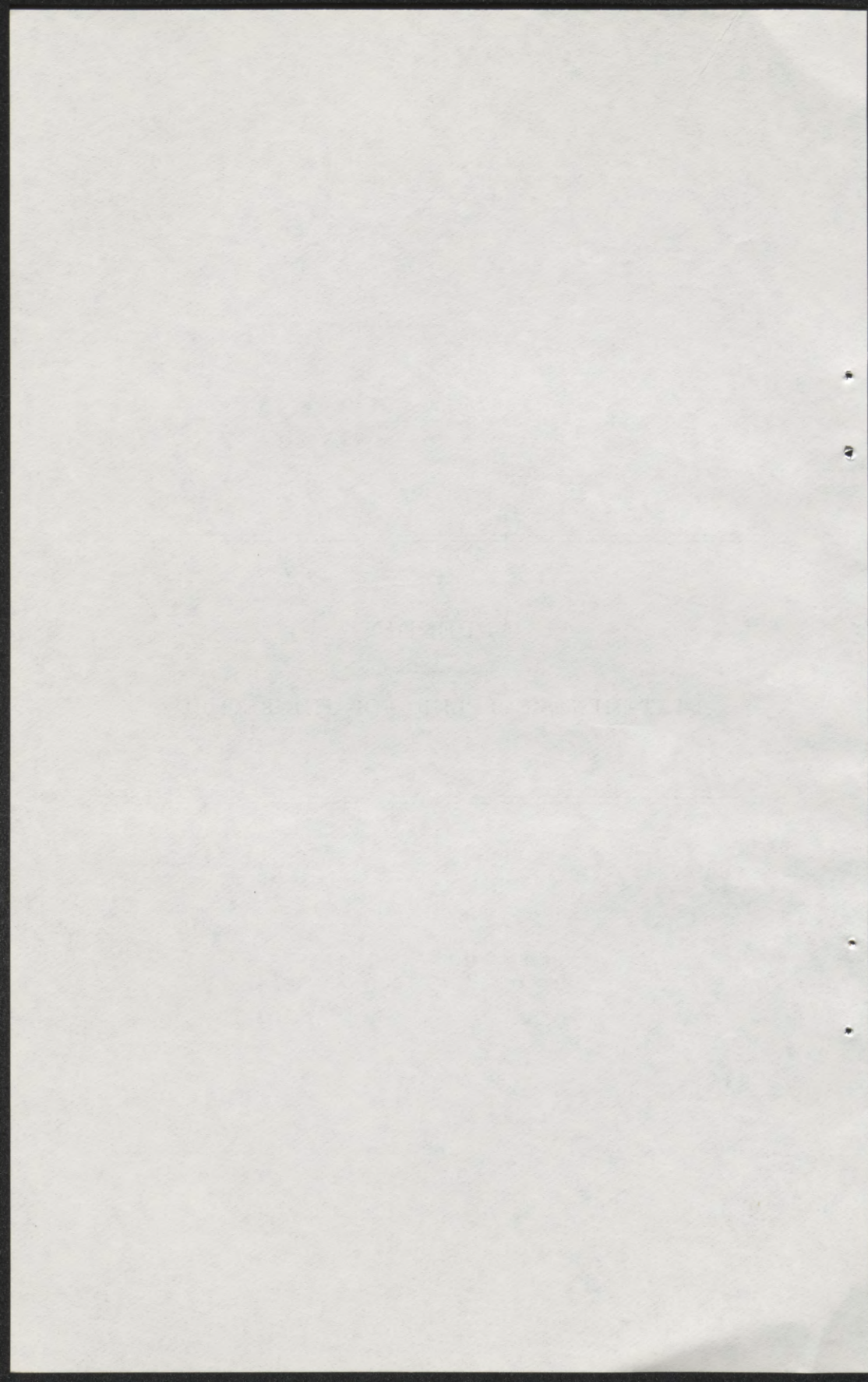
Thank you.

[Whereupon, at 1:30 p.m., the committee recessed, to reconvene subject to the call of the Chair.]



APPENDIX

STATEMENTS SUPPLIED FOR THE RECORD



AMERICAN ASSOCIATION OF STATE HIGHWAY
AND TRANSPORTATION OFFICIALS

PRESIDENT
William S. Ritchie, Jr.
Commissioner of Highways
West Virginia Department of Highways
1900 Washington Street, East
Charleston, West Virginia 25305



EXECUTIVE DIRECTOR
Henrik E. Stafseth
341 Nat'l Press Bldg.
Washington, D. C. 20004
Telephone 628-2438

May 22, 1975

The Honorable Joseph M. Montoya
Chairman, Economic Development
Subcommittee
Committee on Public Works
4204 Dirksen Office Building
Washington, D. C. 20510

Attention: Mr. Richard Greer

Dear Mr. Chairman:

At the suggestion of your staff, we are pleased to take this opportunity to present comments on S. 1587 and 1704, and other bills which your Committee is considering for a Public Works Employment Act of 1975.

The American Association of State Highway and Transportation Officials endorses your efforts to provide additional funding which might be used for highway and transportation projects to alleviate unemployment.

The Department of Labor recently reported that unemployment in the construction industry had reached the level of 19.3% in April. In many States, this level is much higher.

These unemployment statistics show that there is severe economic distress for workers in the construction industry, and also reflect under-utilized capacity in the industry.

The expenditure of \$1 billion in highway construction generates approximately 126,000 jobs in on-site and off-site employment for the construction and in induced employment. Furthermore, State officials estimate that each additional \$1 billion of highway construction will require approximately 8,000 additional employees at various governmental levels for planning, designing, and supervising the contract work. This governmental employment should induce 28,000 additional jobs.

Unlike some hastily created temporary public service jobs, the employment will be used for needed construction to improve the efficiency and safety of highways and other transportation systems.

By reducing transportation costs, and by promoting development of under-utilized manpower and resources in rural areas with high unemployment, the highway improvements will enhance long-range economic development.

Provision of funds for improvements in highways and transportation systems is consistent with other current programs to conserve energy, or to improve the environment. The availability of safer and more efficient highways may encourage a few people to travel who would not otherwise, but the vast majority of those using the safer and more efficient highways would have taken the trip over older, more dangerous, and less efficient highways. The present scarcity and high price of gasoline places severe limits on discretionary travel. More efficient highways which provide more direct routes and improve the flow of traffic can assist in the conservation of fuel, particularly with the imposition of a 55 mile-an-hour speed limit, which AASHTO strongly supports. It also should be noted that some States will use some of the released funds for improvements for mass transit.

There are many highway projects which could be accomplished within the next year which will be particularly suitable for efforts to alleviate unemployment.

The Federal Highway Administration has reported that in the past the average construction time for a highway project is 14 months, and that the average time between obligation and expenditure of all funds is 18 months. These time periods can be reduced considerably if emphasis is placed on smaller projects, as has been done for projects to be funded with the \$2 billion of impounded funds released in February. Attached is a list of a sampling of such smaller projects which have been approved since February 12, 1975.

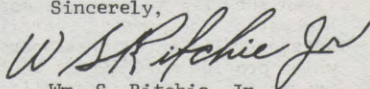
The provision to supplement Federal funds otherwise available could be particularly helpful to those States which anticipate matching fund problems in the utilization of recently released impounded highway funds. Many of these States are also the States with the highest rates of unemployment.

We believe that special emphasis should be directed to projects which can put workers to work quickly in States and areas with high unemployment. We suggest, however, that any legislation, or regulations promulgated thereunder, be flexible enough to

accommodate differing situations. For instance, we do not think eligible projects should be restricted to redevelopment areas designated by EDA, if the emphasis of the program is on construction labor, which is highly mobile, and could benefit from projects ready for construction in adjacent areas. Also, construction unemployment may be high in areas not designated by EDA. Another statutory restriction which we believe would cause more red tape than jobs is one which might set a percentage limitation on non-labor costs.

In conclusion, we wish to commend your efforts to advance constructive legislation to alleviate current serious unemployment problems, and hope you will feel free to call upon us if we may be of further assistance.

Sincerely,

A handwritten signature in dark ink, reading "W. S. Ritchie, Jr." in a cursive style.

Wm. S. Ritchie, Jr.
President

Alaska	3/2	Advertising reconditioning approximately 1 mile of existing roadway and constructing two interchanges on Seward Highways. Bids opened 4/10/75 - 360 calander days
	2/27	Advertising grading drainage in asphalt surface treatment of 12.9 mile of Richardson Highway S.E. of Fairbanks, including two new bridges. Bids opened 4/3/75 - 368 calander days
	2/27	Advertising grading, drainage and aggregate surface plus bridge over Tonsina River N.W. of Chitina Bids opened 4/3/75 - 360 canlander days
	2/13	Opened bids on 11.3 miles of grading, drainage and aggregate surface on Minto Road - 45 mile N.W. of Fairbanks for \$1,550,000 work to be complete by 11/1/75
	2/20	Opened bids on Ward Creek Bridge in Ketchikan for \$500,000 work to be completed in 210 days.
California	2/19	Authorized construction of maintenance station cost of Portersville for \$284,000 to be complete this summer.
	2/19	Authorized Rest Area construction South of Los Banos on I-5 for \$870,000 to be complete spring of 76
	2/19	Authorized Rest Area construction on Highway 99 South of Turlock for \$725,000 to be complete spring of 76
	2/19	Authorized Vidal junction maintenance station construction for \$321,000 no timetable.
	2/19	Approved \$1,750,000 project for up grading rest stops at Donner Summit on I-80 to be complete fall of 76
Colorado	2/20	Awarded \$1,687,000 contract for I-25 project in Denver - 180 days
	2/20	Awarded \$343,000 contract for new bridge on U.S. 36 at Byers-60 days
	2/13	Awarded \$319,000 contract for 2 Urban System projects in Colorado Spring - 60 days.
Florida	2/27	Opened bids on 26 road and bridge projects totaling \$12,459,000
Iowa		Bids to be opened 3/19 on maintenance garages of West Burlington and at Spirit Lake.
		Bids to be opened 3/4 on nine bridge projects 10 portland cement concrete paving jobs 26 asphaltic concrete paving jobs 2 building demolition jobs, one lighting job and one guard rail job and 10 county road jobs.

Bids advertised on 2/24 for 2 drainage structures, on 2/25 for sewer improvements on 2/26 for building demolition and grading projects.

Minnesota	2/13	Advertised bids on highway and bridge projects in 24 counties estimated at \$18.4 million
	2/27	Awarded \$234,000 contract for 6.6 mile paving job in Pope Co.
	3/19	Bids to be opened on two projects estimated at \$473,000 in Isanti and Watonwin counties.
	3/21	Bids to be opened on I-35W project in Minneapolis on extension of surveillance system, paving, median barrier, lighting and bridge repair-start June 10 to be completed by August 3
	3/11	Bids to be opened on 4 grading and surfacing projects in Steele Co.
Nevada	3/6	Bids opened on Safety projects on I-80 in Washoe Co.
	3/27	Bids opened on storm drainage project on Los Vegas
New Hampshire	2/26	Advertise for construction on 0.6 Mile of I-93 for new interchange in Hooksett.
	2/26	Advertise for construction of new interchange on I-95 in Hampton
	2/26	Advertise for new interchange in I-95 in Portsmouth
	2/26	Advertise for 1.6 mile of new shoulders and new surface on Rte 125 in Lee
	3/5	Advertise new toll booths on I-95 in North Hampton
	3/5	Advertise 3.9 mile of new construction and bridges on I-93 in Hooksett
	3/12	Advertise new bridge over I-93 in Hooksett
	3/19	Advertise for signing and Lighting on I-93 in Hooksett - Massachusetts
	3/26	Advertise for construction of truck climbing lane on Rte 16 near Jackson and reconstruction and new bridge on Rte 25 at Haverhill
New Jersey	3/20	Open bids on Safety improvement project on Rte 79 in Marlboro plus project for lighting 1.8 mile of I-80 in Bergen Co. to be complete by October.
	2/20	Alloted \$22,000 to Newark to investigate feasibility of Van Pool program for city employees
	3/13	Open bids on drainage and resurfacing contract on I-78 in Warren and Hunterdon Counties - to be complete by September.

New York	3/13	Bids opened on nine highway and bridge projects in Broome, Monroe, Montgomery, Niagra, St. Lawrence, Steuben and Suffolk Counties.
	3/20	Bids to be opened on 24 projects in 22 counties and the city of Albany
Pennsylvania	2/28	Opened bids on 20 projects totaling \$3,448.000 in 18 counties
South Dakota	2/21	Let 18 construction and gravel stockpile projects totaling \$2,900.000
Texas	2/25	Approved \$2,116.000 project for signing, lighting and delineation on I-45 in Dallas
Vermont	2/21	Opened bids for guardrail on 4.8 mile of I-91 in Guilford and Brattleboro and bridge repair job on Rt 23 in Morristown
	3/14	Open bids on new bridge in Westminster to be complete 12/1/75
	3/21	Open bids on bridge repairs job on Rte 31 in Poultney to be complete 11/1/75



THE AMERICAN INSTITUTE OF ARCHITECTS

William L. Slayton, Hon. AIA
Executive Vice President

May 23, 1975

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

Dear Mr. Chairman:

On behalf of the American Institute of Architects, I wish to express our views on S. 1587, the Public Works Employment Act of 1975, and S. 1704, the Local Public Works Capital Development and Investment Act of 1975. Our statement focuses upon the impact of this legislation on three main areas: (1) the economy of our country; (2) the living environments of our nation's communities; and (3) the potential this bill can present for increased energy conservation in buildings.

The Institute, the national society for the architectural profession, supports the enactment of legislation to establish a public works program at this critical time in our country's history. Such a program will unquestionably provide our nation with a major economic boost where it needs it most--in towns and cities of every size, in every part of the United States--everywhere where the combined impact of inflation and recession has hit hardest. This program can have special importance for the construction industry, where spending is down by more than a third from a year ago and is at its lowest level in 13 years.

We are deeply concerned about the economic state of our industry and of our nation, and at the same time recognize the dangers of over-reacting in search of solutions. We support the work of the House and Senate Budget Committees and the Administration to keep the federal deficit within manageable limits and expect that this legislation will only be enacted and funded within the context of these efforts. Furthermore, we encourage this Committee to maintain strong oversight activities over the administration of this program to insure that it operates in a manner consistent with prevailing economic conditions.

We support a program which will put carpenters back to work as carpenters, bricklayers as bricklayers, architects as architects and engineers as engineers. But the economic impact of this program will not stop with these workers in the construction industry. It will spread quickly to other sectors of the economy where increased construction activity creates a demand for more raw materials, more industrial goods, more manufactured buildings materials, plus--and it is a big plus--it will increase the desire and ability to purchase more consumer goods and services. National production can increase by an estimated \$14 billion through this program. This increase in national production would return to the federal government an estimated \$3.5 billion in additional revenues. State and local governments would receive additional revenues amounting to \$1 billion. Added to this new revenue will be a substantial reduction in unemployment compensation payments. Thus the dollar invested in construction continues to be used over and over again through the entire economy as well as returning revenues to all levels of government.

Even more importantly, a public works program will not simply provide work and wages for unemployed persons. It will make a national investment in improving the physical environments of our communities. It will have a three-stage impact that effectively addresses the immediate economic conditions facing the country today as well as being flexible enough to respond to economic conditions six months to a year from now or longer.

First, it will immediately send money into the economy by getting already designed but financially delayed projects under construction.

Second, it will start projects through the construction pipeline by enabling them to be planned and designed now so they can be built without delay when normal sources of funding are available.

Third, it will retain the capability of initiating a new wave of projects six months or a year from now if the economy needs additional assistance or holding the funds in reserve if the economy improves.

With this three-stage approach, the impact of this program can be controlled and regulated to meet changing economic conditions. To further insure this, we would recommend that the Secretary of Commerce give priority to those projects which can break ground within 90 days. At the same time a sufficient amount of funds should be reserved for the planning and design of future projects to avoid another serious recession in construction.

As I said, this program represents an investment that will result in immediate dividends. There are already-designed construction projects in cities and towns across the country delayed by a lack of financing. The Economic Development Administration reports more than \$3.5 billion in federally-related regional development commission projects ready for immediate funding. These projects plus those in states and localities ready to come off the shelf at once insure that this program will have the immediate impact it is designed to have--putting unemployed workers to work right now and fresh money immediately into the economy. Fortunately, many of these communities have a solid planning base for logical capital improvement programming and established mechanisms for coordinated review of projects with metropolitan or regional significance.

Over the past few weeks, we surveyed a small section of communities in various regions of the country. We learned that virtually every one of them has projects that could be begun in a matter of days or weeks as soon as they have access to funding. (Examples listed in Appendix)

These funds can certainly help to eliminate the existing obstructions in the construction pipeline. In every region of the country, the pipeline is drying up--there is little new construction underway--at least a fourth of all construction workers--nearly three-quarters of a million--are not working. This is equivalent in construction--the nation's largest industry--to the impact of the nation's Great Depression on our industry.

Furthermore, there are even fewer new projects being planned and designed. Activity in many architectural firms has dropped 50 percent or more from 20 months ago. With few new projects under design now, there will be few projects under construction six months to more than a year from now. This dried-up pipeline not only represents current unemployment, but forecast unemployment for many months ahead. This long range unemployment can be avoided if a program is enacted now.

The pipeline must now be primed at its source with the planning and design of new projects if the carpenters, bricklayers, pipefitters, and other craftsmen are to be employed in the months ahead.

Of course this is not the first time that our nation has faced a severe economic crisis. And this is not the first time that the construction industry has been recognized as a major catalyst to lead the economy out of its depression.

One of the most effective programs of the 1930's was that of the Public Works Administration. It too was designed, as this legislation is designed, to invest federal funds in permanent improvements--in needed facilities for the use of citizens everywhere. This is one program from the 1930's that has not been labelled a make-work program as others have been. It completed New York City's Triborough Bridge, the Brownsville Texas Harbor, the Library at the University of Utah, the Courthouse and City Hall in Fort Smith, Arkansas, the Louisiana State Exhibit Building, the Bourne Bridge in Bourne, Massachusetts, the Buffalo Sewage Treatment Plant in Buffalo, New York.

Wherever you turn in any region of our country, the legacy of the Public Works Administration is there. It is a lasting legacy--a legacy that can be repeated with even greater success because of the advancement of planning and strong federal sponsorship of planning coordination at the metropolitan and regional level.

While the construction industry has changed in many significant ways since the 1930's, perhaps no change had or will have a greater impact than the one facing us today--the need for greater energy conservation in buildings.

The built environment--including residential and commercial structures--today consumes one-third of the nation's energy supply. It has been this sector and its use of energy that the AIA has examined over the past two years. We have issued two major reports which propose a strategy to shift the built environment's present dependence on non-renewable energy sources (coal-oil-gas) to at least a mix of energy sources, including renewable sources (solar-wind-hydro-electric-geothermal) through on-site generation and regeneration. These reports are included as an appendix to this statement.

The legislation before this Committee today can serve as a mechanism to spawn a whole new generation of energy-efficient buildings in towns and cities across our nation, serving as symbols and examples of a national policy of energy conservation. But this will not happen unless additional provisions are included in this bill.

We propose that this legislation be amended to require applicants for funds under this program to give due consideration to the achievement of energy efficiency, including the use of renewable non-fossil sources of energy in

the planning and design of new buildings and facilities. This would serve as an assurance that opportunities for energy conservation in such buildings be fully considered during their design and construction. It is our firm judgment that this will result in a net savings of both money and energy and represent the most efficient use of investment capital. It is, in fact, an opportunity that the nation, with its current energy problems, cannot afford to reject.

The American Institute of Architects endorses the establishment of a national public works program. We believe that the economy immediately needs the influx of investment capital that will be provided by this program.

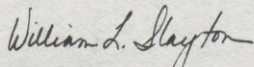
It will be an investment that will produce tangible, permanent improvements to hundreds, perhaps thousands, of communities across America.

It will be an investment that will provide additional government tax revenues. It will be an investment that can give the nation an important first step in bringing forth a new generation of energy-efficient buildings.

It is an investment that we trust this Committee and this Congress will make.

We appreciate this opportunity to express our views for the record.

Sincerely,

A handwritten signature in dark ink, reading "William L. Slayton". The signature is written in a cursive style with a prominent "W" and "L".

William L. Slayton, Hon. AIA
Executive Vice President

APPENDIX

Examples of State and Local Construction Projects Ready for Construction

In New Jersey; a \$25 million Medical School and Teaching Hospital, a \$10 million Vocational Education School for the Deaf, a \$10 million Water Release Project, and two Recreational Projects totaling \$4 million. These projects could go out for construction bids as early as May of this year. In Duluth projects ready for construction include; a \$6.4 million Regional Library and Technical Reference Center, a \$6.4 million Water Filtration Plant and a \$3.5 million Regional Transportation Center. Salt Lake City could start construction immediately on a \$5 million Highway and Bridge Improvement Program. In Texas, an \$8.6 million addition to the Supreme Court Building requires funds as does a major new state office building, which will run \$23.5 million. The city of Buffalo, New York has several projects that could be ready for construction bids within ninety days if funding were available, including a \$3 million police facility, the renovation and conversion of the Old City Building into an office building costing \$1 million, a \$1 million flood control project, and a \$4 million water pumping station.



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AMERICAN PUBLIC WORKS ASSOCIATION

1313 EAST 60th STREET, CHICAGO, ILLINOIS 60637

Area Code 312 947-2520

ROBERT D. BUGHER, Executive Director

May 5, 1975

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

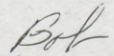
Dear Senator Randolph:

Enclosed is a copy of a statement by President Herbert A. Goetsch, American Public Works Association, in support of H. R. 5247, the Local Public Works Capital Development and Investment Act of 1975.

Please let me know if we can provide additional information on this or other public works matters.

Your support of public works programs, both at the national and local level, is greatly appreciated.

Sincerely yours,


Robert D. Bugher
Executive Director

Enclosure

cc: Mr. John W. Yago, Jr.
Assistant Chief Clerk

— Advisory Council —

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(Chairman)
Samuel S. Baxter
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AMERICAN PUBLIC WORKS ASSOCIATION

1313 EAST 60th STREET, CHICAGO, ILLINOIS 60637

Area Code 312 947-2520
ROBERT D. BUGHER, Executive Director

Statement Submitted By

Herbert A. Goetsch,⁽¹⁾ President
American Public Works Association

TO

Subcommittee on Economic Development
Committee on Public Works and Transportation
United States House of Representatives

ON

HR 5247 and Companion Bills

(Local Public Works Capital Development
and Investment Act of 1975)

April 30, 1975

(1) Commissioner of Public Works, Milwaukee, Wisconsin

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Since members of the American Public Works Association play a major role in the implementation of public works legislation enacted by the Congress, I am pleased to respond to the chairman's invitation to present a statement on the proposed legislation now before this Committee known as the "Local Public Works Capital Development and Investment Act of 1975."

We commend those of you who have recommended the adoption of an accelerated public works program as a means of reducing unemployment in the construction and materials industries. A program of this kind will produce facilities of lasting benefit to local communities. Public works facilities such as transportation, water supply, energy, and waste disposal systems are crucial to the development and continued well-being of every nation in the world. They enable commerce and industry to function and provide employment; they encourage investments in the private sector; and they protect and enhance the environment in which we live. Thus in a very real sense, they provide the means by which people can achieve common social and economic objectives.

The high rate of unemployment in the nation and especially in the construction industry is a matter of grave concern to our members as it is to this committee. Today's unemployment figures have reached almost 9 percent in the nation, while they have skyrocketed to nearly 25 percent in the construction industry. And we have good reason to believe that this rate will not decrease significantly in the near future.

The amount of design work carried out by architectural and engineering firms has declined in recent months. There is, therefore, little hope that the employment picture in the construction industry is on the upswing. While it is true that there is some construction now being carried out in the public sector,

much of it is being financed through bond issues that were approved several years ago. The number and amount of bond issues approved in recent months for future construction projects does not give us any encouragement.

The outlay for capital investments has been declining steadily in recent years because funds have been diverted to meet escalating operation and maintenance costs. Approximately \$60 billion per year is now being invested in public works programs--\$30 billion for construction and \$30 billion for maintenance. But needs surveys indicate that we would have to spend at least twice as much--nearly \$60 billion a year for new construction alone--over a long period of time if we were to overcome the current backlog of needs in this field. Substantial investments are needed to provide basic facilities in those areas of the country which are experiencing rapid population increases. Equally large investments are necessary in established communities for the rehabilitation of older public buildings and other types of structures and facilities. And finally, nearly every locality in the country is in need of funds to share in the cost of pollution control facilities required by the federal government.

Whereas state and local governments were in a relatively good fiscal condition several years ago, they are now faced with financial problems as evidenced by the fact that their combined deficits totaled over \$7.5 billion in 1974. The Joint Economic Committee of Congress made the following projection for 1975:

The combination of inflation-affected expenditure and recession-induced revenue shortfalls will make it very difficult for many state and local governments to make it through the upcoming year without tax increases, employment layoffs, and cuts in levels of service.

These bleak conditions facing local government--high unemployment, reduced revenues for financing capital improvements, and a mounting backlog of public

works needs--point up the importance of the type of legislation now being considered by your committee.

Critics of this program say that it will add to the existing "cost-push" pressures in the economy. We do not subscribe to this point of view. Substantial sums of federal funds are now being spent on unemployment benefits. A large portion of these funds would be redirected into productive channels under an accelerated public works program. These same federal dollars would be paid to construction workers and others who are now unemployed to create needed public facilities--assets for their communities. These persons would also pay taxes and thus help minimize deficit financing of governmental programs. It should be noted too that the bulk of the funds appropriated for this program would be paid to individuals working in the private sector.

Another argument that is frequently advanced is that by requiring the Davis-Bacon Act to apply to projects funded under this program higher labor costs and increased inflationary pressures would be created. We recognize that this may occur in some localities but believe that this problem could be lessened if the administration of the act were entrusted to an independent board composed of representatives of both labor and management.

It is true that public works projects require a long lead time for planning, design, land acquisition, public hearings, preparation of environmental impact statements, etc. before they can actually be placed under contract. It should be remembered, however, that about 50 percent of our cities now use long-term capital budgeting procedures which means that they plan capital expenditures over a five to six year period in advance of construction. These projects are in various states of planning and design but many have been postponed because of a

lack of funding and can now be placed under contract in a relatively short period of time. Since many cities and counties are not using long-range capital budgeting procedures, we strongly recommend that adequate funds be made available under this program to assist local governments develop the institutional capability needed to utilize such advance planning procedures.

We are especially pleased to note that the proposed program authorizes funds for the repair and reconstruction of public works facilities. Maintenance work has been curtailed in recent years in many communities. This has resulted in the accumulation of a large backlog of repair work which is vitally important in order to preserve past investments in public buildings, bridges, and other structures. Some of this work in cities in colder climates can be programmed in such a way that it can be accomplished indoors in the winter months when there is normally a relatively high amount of unemployment in the construction industry. Since projects of this type would generally not require land acquisition, public hearings, or environmental impact statements, they could undoubtedly be implemented in a relatively short period of time. It should also be noted that these are usually high labor-intensive types of projects.

Because of the serious economic problems and unemployment conditions facing the nation at this particular time, it is necessary that an emergency program of this kind be adopted as soon as possible. To respond to the more acute problem areas as quickly as possible, it should provide for full 100 percent funding. It should also provide for the use of streamlined procedures for the program's implementation. This does not mean that procedures for coordinating capital improvement projects in metropolitan areas should be disregarded nor that efforts to cooperate with those responsible for manpower training and develop-

ment programs should be discontinued. However, it does mean that flexibility should be incorporated into the processing procedure so that top priority can be given to applications for emergency grants under this program. We support the concept that the administrative machinery should be so designed that definitive action will be taken on project applications within thirty to sixty days. We also urge that post-audit, monitoring, and review procedures be established so that problem areas can be quickly identified and improvements can be made in the administration of the program.

Local governments should be authorized to use funds made available to public agencies under this legislation for capital expenditures including fixed assets which would increase the efficiency and productivity of public service programs. We realize the importance of including provisions in the legislation to assure that funds will be fairly and equitably allocated to communities in all parts of the nation which are in need of emergency assistance. However, we question whether this objective can best be achieved by limiting the percentage of funds that may be allocated within each State under the terms of this Act.

In conclusion, I would like to again express, on behalf of the American Public Works Association, its support of the type of program embodied in the "Local Public Works Capital Development and Investment Act of 1975" currently under consideration by the House Public Works Subcommittee on Economic Development. We feel that it would help to alleviate the unemployment problems not only in the construction industry but in allied fields which make up a large segment of our economy. It will help preserve past investments in public facilities and provide needed improvements in large and small communities. And, most important of all, it will help to develop renewed confidence in our government and its ability to give the kind of stimulus required to restore economic prosperity throughout the nation.

associated builders and contractors, inc.

SUITE 731

1156 15TH STREET, N.W.

WASHINGTON, D.C. 20005

202-785-4882

May 30, 1975

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

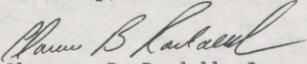
Dear Chairman Montoya:

On behalf of the Associated Builders & Contractors, Inc., I am writing in reference to S 1704, a bill currently under consideration by your Economic Development Subcommittee. First, may I take this opportunity to commend your efforts to bring economic relief to the troubled construction industry.

I have enclosed a statement which presents the views of the Association on S 1704 and other related legislation. I am hopeful that this statement will be accepted into the hearing record.

Thank you for your consideration and if there are any questions concerning our testimony, please bring them to my attention.

Sincerely,



Clarence B. Randall, Jr.
Director, Gov't Relations

Merit Shop Builds Best

OFFICERS: Phillip Abrams, President • John P. Trimmer, Exec. Vice Pres. • Joe M. Rodgers, 1st Vice Pres. • Gerald Oliver, 2nd Vice Pres. • William Winsemann, 3rd Vice Pres. • Charles W. Demory, Jr., Secretary • Joe Scheyd, Asst. Secretary • Joseph A. Burton, Treasurer • Frank L. Hoffman, Jr., Asst. Treasurer.

associated builders and contractors, inc.

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STATEMENT OF
ASSOCIATED BUILDERS & CONTRACTORS, INC.
REGARDING S 1704 BEFORE THE SUBCOMMITTEE ON ECONOMIC
DEVELOPMENT OF THE SENATE PUBLIC WORKS COMMITTEE

Merit Shop Builds Best

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STATEMENT OF
ASSOCIATED BUILDERS AND CONTRACTORS, INC.
REGARDING S 1704 BEFORE THE SUBCOMMITTEE ON ECONOMIC
DEVELOPMENT OF THE SENATE PUBLIC WORKS COMMITTEE

This statement is presented on behalf of the Associated Builders and Contractors, Inc. ABC is a non-profit organization comprised of some 9100 member firms who are engaged in contract construction or have dealings with the construction industry. The Association's headquarters office is in Maryland, and it has 49 chapters with members in 47 states.

ABC has always taken a great interest in the health of the nation's economy and is especially concerned with the current plight of the construction industry in line with the proponents of this bill who obviously are likewise concerned. It strongly supports the purpose of S 1704.

Unemployment in the Construction Industry

Exactly how many workers are employed by the construction industry will vary somewhat according to statistical sources. Government sources indicate that there are well over four million such workers in contract construction. That one-fourth of these workers are currently idle was estimated by Speaker Carl Albert. The decline in construction as ABC knows it causes us to believe this estimate by the Speaker is sound. If so, his estimate means that over 1,000,000 construction workers are presently without employment.

This figure represents a considerably greater number than that given out for March 1975 by the Department of Labor. The Department's figure for March was 781,000 construction workers unemployed or 18.1 per cent of the construction work forces. According to the Speaker's estimate which we believe is more nearly factual, we emphasize that the number would be over 1,000,000. The number in any event is appalling, and under any of the statistics currently circulated, the construction industry is one of the most seriously affected if not the most seriously affected industry in the current business depressed era. Official statistics support this conclusion. The percentage of unemployment for March 1975 was greater in construction than in any of the other listed industries, according to the recently issued major unemployment indicators of BLS. Indeed the serious plight of this industry is common knowledge. The well-known extremely slow rate of home building, for instance, is a symptom of the disease that affects the construction industry.

We agree with the statement in S 1704 that the serious unemployment in construction has "contributed directly and substantially to the weakening of the entire economy of the Nation, as depressed conditions in the industry, brought by extremely high interest rates, have undermined the strength and vitality of other sectors, ultimately spreading throughout the entire economy."

Proper Use of Appropriated Funds Highly Important

It is not within the competence of ABC to know how much federal assistance should be given the construction industry in order to revive it. S 1704 places a limit of \$5,000,000,000 on grants to be made for this purpose. If properly used, we believe this amount or even less should achieve the desired result. We emphasize the words if properly used. Even with the limitations laid down in the bill itself and those that will be embodied in the rules, regulations and procedures to be prepared by the Secretary, there remains the inevitable fact of human error, the prejudice that will prevail in each depressed community that it should have more assistance than others -- these and other factors incapable of measurement will cause problems and at times bad mistakes. However, such difficulties should be regarded as a challenge rather than a reason for inaction, and we should go forward under the best procedures we can devise.

Elimination of Davis-Bacon Requirements Urged

ABC in this connection offers a major suggestion which we believe will help insure that the basic purpose of the bill will be achieved. We suggest that section 9 should be deleted, and in its place should be a specific proviso that Davis-Bacon rates shall not apply to projects financed by the Act.

We realize that to make this suggestion is highly unpopular

in certain quarters. We know, moreover, that it will almost surely be ferociously attacked. Nevertheless we make the suggestion because we believe its adoption would be in keeping with the obvious purpose of the bill at this particular time. Our reasons follow:

Providing Employment Should Be First Consideration of S1704

First. The deletion is in keeping with the objective set forth as the major objective of the bill itself -- "the goals of providing employment opportunities for all those able, willing, and seeking to work, of meeting the unmet needs of local communities for better facilities, and of stimulating the national economy...." The goals thus mentioned in this statement are those of providing employment opportunities. ABC agrees wholeheartedly with this purpose. The proposed law should be administered on such a basis as to provide the greatest good to the greatest number. With section 9 in the bill it will provide the greatest good only to a limited number. Davis-Bacon results in distorted wage structures. It usually increases costs. Just how much Davis-Bacon increases the cost of federal construction cannot be stated with complete accuracy. The built-in extra cost will in any event be substantial. We dare say ABC's recently publicized charge of 15 per cent added cost is realistic.

Professor John P. Gould, associate professor of business economics at the Graduate School of Business, University of

Chicago, has stated in his study, Davis-Bacon Act - The Economics of Prevailing Wage Laws:

"At least six separate studies of prevailing wage determinations made by the General Accounting Office between 1962 and 1970 have shown that these determinations established inappropriately high minimum wages on a variety of federally financed and federally assisted projects..."

To put the issue into hard numbers, let us analyze the results of S 1704, assuming that all of the funds were used to build Housing for the Elderly (other types of public works would reflect similar results).

Total Funds Available	:	\$5,000,000,000
Land Acquisition	:	200,000,000
		4,800,000,000
Design Fees (7%)	:	336,000,000
Available Construction Funds	:	\$4,464,000,000

(1) Employment provided if section 9 (Davis-Bacon) remains:

Cost of one unit of elderly
housing under Davis-
Bacon Act = \$24,000

Therefore: $\$4,464,000,000 \div 24,000\$/\text{unit} = 186,000$
units

Each unit requires
1200 $\frac{1}{2}$ hours of site labor

Therefore: $186,000 \text{ units} \times 1200 \text{ hrs./unit} =$
223,200,000 hrs.

Assuming workers will be
employed 2000 hours per
year

Therefore: $223,200,000 \text{ hrs} \div 2000 \text{ hrs/worker} =$
111,600 workers
will gain employment for one year.

(2) Employment provided if Section 9 (Davis-Bacon) is deleted:

Cost of one unit of elderly
housing without Davis-Bacon = \$20,400

Therefore: $\$4,464,000,000 \div 20,400\$/\text{unit} =$
218,800 units

Therefore: 218,800 units x 1200 hrs./unit =
262,588,000 hours

Therefore: $262,588,000 \text{ hrs.} \div 2000 \text{ hrs./worker} =$
131,300 workers
will gain employment for one year.

The deletion of the Davis-Bacon Act would result in 19,700 or 17% more jobs for construction workers under S 1704, and 32,800 or 17% more units of Housing for the Elderly, with a concomitant 17% increase in the purchase of materials and supplies providing still more off site employment.

The opposite result under S 1704 if section 9 is included is inevitable. The high wage costs will cut down the number of projects that can be undertaken. This reduction in the number of projects will in proportion limit the number of jobs that will be created. Such a result is not in keeping with the basic objective of the bill. The goal should be more jobs at good wages rather than fewer jobs at inappropriately high wages.

Fair Play to Taxpayers a Must

A second reason to delete section 9 is fair play to the taxpayer. We are projecting the biggest budget deficit in our nation's history. This deficit is a burden on present

and future taxpayers. They have a right to have maximum benefit from their tax dollars which are used for unemployment relief. They are not receiving such benefit if the number of employees put to work from the funds so spent is limited because of inappropriately high wages and government sanctioned low production.

Davis-Bacon rates may so distort a highly efficient contractor's wage structure that he hesitates to bid on a covered project. Such distortion can prevail even though the contractor pays excellent wages and provides other benefits that are excellent. The important point is that when this happens the taxpayers are the losers. Every time a contractor who could make the lowest bid is discouraged from a locality, moreover, the taxpayers must make good the difference.

Assistance to Local Communities Would Be Thwarted

A third reason for deletion of Section 9 is that if it remains in the bill the assistance that should go to local communities will frequently go to some other community.

At times the employees in the local community have not seen fit to join a union. Under Davis-Bacon practice in such circumstances the union wage rates from a neighboring county or distant city are likely to be imposed. Local contractors are in turn discouraged from bidding. They know that to do so as stated earlier would distort their wage structures and cause them trouble on later projects not financed by the

government. Furthermore, rural builders object to the onerous paperwork required under Davis-Bacon in the form of weekly certified payroll affidavits. Hence it not infrequently happens that outside contractors come in with their employees and do the work that should have been done by local contractors and local employees. Professor Gould's study quotes the results of some research by Professor Damodar Gujarati for the University of Chicago and summarizes the results as follows:

"It is not uncommon for union contractors to obtain government construction contracts in non-union localities, thereby excluding local contractors and often local workers from these jobs. This behavior is almost precisely the opposite of the intention of the initial act which was to prevent the federal government from either raising or lowering wages in the area of federal construction."

At the time Davis-Bacon was enacted in 1931, Congressman Bacon argued that the law would prevent "itinerant, irresponsible contractors" from obtaining contracts here and there with "local labor and local contractors....standing on the side-lines looking in."

Hysteria over the depression of the 30's was running high at the time and the argument was effective. There has never been proof that the argument had validity. It was politically popular, however, and in many quarters remains popular to this day. The facts are that the opposite argument is more usually the case. We refer to the argument that Davis-Bacon

often excludes local contractors and local employees.

To put the matter another way, the law was designed to protect local wage rates, but in many instances it has done just the opposite. It distorts the local wage structure and often discourages local contractors from bidding.

MOST ECONOMICALLY DEPRIVED WORKERS EXCLUDED FROM OPPORTUNITY

A fourth reason to delete section 9 is that:

The statistics on unemployment in all industries emphasize a situation aggravated by the Davis-Bacon Act -- underemployment and unemployment of minorities and veterans exceeds the rate for all other groups.

The Davis-Bacon Act will restrict the opportunities for minorities and veterans to work on the proposed public works projects by:

1. Limiting the number of apprentices.
2. Requiring standards of education that exceed necessity thereby precluding the culturally disadvantaged from qualifying.
3. Prohibiting helpers or provision for employment of less than fully qualified journeymen.

One supporter of the Davis-Bacon Act in 1931 voiced the intention of limiting "colored" workers on federal projects; to this end the Act has been successful. Do you want to voice the same congressional intent in 1975?

Examples of Davis-Bacon Distortions

We have recently seen the distorting effects of Davis-Bacon in Frederick County, Maryland, which adjoins the District of Columbia. A multi-million dollar aluminum plant is under construction there. It was so huge that no local contractors bid the job, and the work is being done at negotiated rates by an outside contractor who imported most of the labor. Some small federally financed projects were put out for bids after construction of this huge aluminum plant was undertaken. The resulting Davis-Bacon wage determinations based in part on this unrepresentative huge project were so out of line with local standards as to completely upset them. The local contractors and owners finally appear to have obtained relief, but only after an appeal to the Wage Appeals Board, a process which required over three months. Such delay on appeal even when it corrects the distorted situation is inexcusable when men are clamoring for employment. We should remove the basic cause of the delay -- Davis-Bacon itself -- if you hope to expedite these projects so their impact can be felt now when it is needed.

We have referred to distorted results. How does this come about? To understand how it happens we have to look at Section 1.2 of the Regulations which provides that the prevailing rate shall be:

"(1) the rate of wages paid in the area in which the work is to be performed, to the

majority of those employed in that classification in construction in the area similar to the proposed undertaking;

"(2) In the event that there is not a majority paid at the same rate, then the rate paid to the greater number; provided such greater number constitutes 30 per cent of those employed; or

"(3) In the event that less than 30 per cent of those so employed receive the same rate, then the average rate."

Bad Effects of 30 per cent Rule

Very often the 30 per cent figure represented by point 2 above prevails. The result can produce a figure completely out of line with the local average.

Let's examine how this rule actually works. Suppose a city hall is to be built in town x. Suppose 100 carpenters have recently worked on similar construction at various places in the county. Let us say 65 of them worked at various hourly rates -- 10 at \$4.25 an hour, 15 at \$5.50 an hour, 20 at \$4.10 an hour, and 20 at \$4.00 an hour. Suppose, however, 35 carpenters worked during that time at \$5.75 an hour on a similar project 40 miles away in the same county. What rate will be the determined rate? Because of the 30 per cent rule we may be sure that it will be \$5.75. It is neither an average nor a representative rate. Yet it is imported into town x and distorts its local wage rates. It undercuts efficiency and efforts to improve employer-employee relations.

Specific Examples of Cost to Taxpayers

That Davis-Bacon does in fact cost the taxpayers money is shown by instances of what happened when Davis-Bacon was suspended for a short time in 1971. A low bid by Murry Electrical Company, Inc., Woodlawn, Maryland, on installation of a government-furnished 75 KW generator for a Veterans Administration Hospital at 3900 Loch Raven Blvd, Baltimore, was lowered by over \$6,000 when the law was suspended. Similarly a bid was lowered at the same time by approximately \$18,000 by Logan Construction Company, Tampa, Florida, on a housing project in the Tampa area. At the University of Northern Iowa during that period there were two jobs of similar size on one building. The bidder, Meisner Electric, Inc., of Newton, Iowa, stated:

"Phase #1 had a Davis-Bacon minimum wage of \$6.15 per hour. Phase #2 did not have a Davis-Bacon wage.....We were 10 per cent lower on Unit #2."

On construction of the Jewish Rehabilitation Center for the Aged at Swampscott, Massachusetts, we have documents to show a saving of twenty-three (23%) percent on that work above the foundation, the reason being that such work benefited from Davis-Bacon suspension.

No Need for Davis-Bacon Today

The facts are that there is no need for Davis-Bacon today.

BLS statistics show that the average hourly earnings of contract construction workers were \$4.79 in 1969. They had increased to \$6.76 in 1974 and \$7.11 in March 1975 (for union and nonunion workers alike). Union rates with fringe benefits now approach \$10.00 an hour. No wonder much construction has priced itself out of the market. Why should government compound the problem through use of Davis-Bacon determinations? The law through Davis-Bacon gives these wage-rates a push upward that actually does harm.

In conclusion, ABC is of the opinion that:

1. Construction wage rates are in no need of government support.
2. Davis-Bacon rates are a burden on taxpayers because they increase costs of government supported projects and diminish the quantity of beneficial public works that can be built, an especially unsound result when applied to funds intended to create employment.
3. By raising costs of construction, such rates are discriminatory because they lessen the number of employees who can receive employment through the programs projected in S 1704. The Act particularly limits opportunities for employment of minorities and veterans.
4. Davis-Bacon compounds the current problems in the construction industry.

May 30, 1975



THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

1957 E STREET, N. W. • WASHINGTON, D. C. 20006 • 202/393-2040

JOHN N. MATICH, *President*

BEN M. HOGAN, *Senior Vice President*

S. PETER VOLPE, *Vice President*

CARL W. ERICKSON, *Treasurer*

JAMES M. SPROUSE, *Executive Director*

May 20, 1975

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

Dear Senator Montoya:

We would like to submit for the record the enclosed statement relative to your bill, S. 1587, the Public Works Employment Act of 1975, and Senator Randolph's bill, S. 1704, "Emergency Local Public Works and Capital Development and Investment Act of 1975."

Sincerely,

J M Sprouse

J. M. SPROUSE
Executive Director

SKILL—RESPONSIBILITY—INTEGRITY



THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

1957 E STREET, N. W. • WASHINGTON, D. C. 20006 • 202/393-2040

STATEMENT OF
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
TO
THE SENATE PUBLIC WORKS SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
ON
S. 1587, "PUBLIC WORKS EMPLOYMENT ACT OF 1975"
AND
S. 1704, "EMERGENCY LOCAL PUBLIC WORKS and
CAPITAL DEVELOPMENT and INVESTMENT ACT of 1975"

The Associated General Contractors of America, Inc., appreciates the opportunity to make its views part of the record of the Senate Subcommittee on Economic Development.

AGC represents some 8,500 general contractors engaged in all aspects of general construction. Our member firms perform about 80 percent of the annual contract construction volume in the United States. The construction industry employs approximately five million workers, about 3.5 million of whom are employed directly on construction job-sites. As such, we have a broad appreciation of, and an interest in legislation which will affect public works projects.

The construction industry currently, however, has the highest rate of unemployment in the country. According to Depart-

SKILL—RESPONSIBILITY—INTEGRITY

ment of Labor statistics for April, this industry's unemployment rate was 19.3 percent--far and away the highest for any industry, with agricultural wage and salary workers trailing a poor second.

These figures dramatize very clearly the plight of the construction industry. It is unfortunate that because of the diversity of the industry, because employment centers are so scattered and so relatively small in comparison with manufacturing, for example, that there is little public understanding of the depth of the construction unemployment problem.

A few months ago, when the automobile industry was experiencing the worst unemployment situation in the country, newspapers, magazines and television news stories, photographs and economic analyses proliferated. The problems of automobile workers were vividly portrayed.

Similar and possibly worse conditions presently prevail in the construction industry. The industry is operating about 50 percent below its capacity. And, significantly, the 19.3 percent unemployment rate is seasonally adjusted. In fact, at the present time, in many areas of the country, construction unemployment is running from 35 to 50 percent.

AGC wholeheartedly supports this Subcommittee in its actions to institute a public works program that will help to stimulate the economy and provide jobs. We as an Association believe that an accelerated public works program will be much more effective in putting people to work than are public service jobs programs. Even the National Commission on Manpower Policy, which was created by the Comprehensive Employment and Training Act, along with the Public Service Jobs program, agrees that

accelerated public works programs would do better in the long run. This Commission has reported that while public service employment has its place, the major focus should probably be shifted to public works where more goods and services from the private sector would be used. S. 1587 is designed to do just that, while complimenting the job opportunities program.

Variations in the construction industry volume create a multiple ripple effect that either reduces or increases the activity of its feeder industries. On the negative side, a highway that is not built uses no asphalt or cement. A building not constructed uses no lumber, bricks, blocks, nails or structural steel.

When money is diverted, from vitally needed water pollution control facilities, waste treatment plants, improved streets and roads, to public service jobs--which create no new support jobs--we can see the short-sightedness of the latter on a bigger scale.

The deferral of much needed public facilities requiring construction is waste on a gigantic scale. Its impact is not confined to the contracting industry. Equipment manufacturers, dealers and suppliers are hit equally hard by a construction business decline. Contractors are reluctant to invest capital in plant and equipment without a reasonable assurance of an ongoing construction program. There has been a definite failure on the part of the Administration to instill the kind of confidence that contractors--and other businessmen as well--need to commit long-term investment.

We have seen the stimulus that accelerated public works programs provided the economy in the early 1960's. Such stimulus

is needed again today. S. 1587 would provide this stimulus.

We wish to commend the Public Works Committee on its efforts to examine reasons for project delays in the past, whether they be because of administrative inertia, environmental problems or local problems with Federal compliance. Each day that goes by without action increases the unemployment total and deprives communities of needed facilities.

Much of the money that could be spent under this program could end up in an endless tangle of red tape. Some of this red tape is at the local level. A great deal of it, however, emanates from the federal government through the regulations of its agencies, particularly the Environmental Protection Agency. Overly stringent regulations could have a dampening effect on this bill as they have had in other programs.

Delays between project conception and contract award have serious implications. They involve the economic well being of a community and a state. They involve jobs and the wise and prudent use of public monies. S. 1587 allows most of the new authorizations to go to labor incentive or job effective programs. Yet, government agencies spend millions of dollars just to maintain staffs to see that federal and state ecological requirements are complied with. What contractors build improves, without exception, a condition or an aspect of the social and economic life of this country. What we build is not the issue in our relations with the National Environmental Act. The issue is when we build. All public works projects allow sufficient time for environmental impact concerns to be considered at public hearings. Environmental Impact Statements must anticipate every foreseeable environmental effect.

They must be circulated widely among governmental and private agencies. The time consuming procedures which often accompany legislation of this nature will have been taken into consideration by the Subcommittee with this legislation.

By referencing the benefits of streamlining the procedures to avoid red tape, we fail to understand why the Congress permits legislation to remain in force when such laws are clearly not in the public interest and only add to the fight to overcome burdens of economic duress. We speak of the Davis-Bacon portion of the Public Works and Economic Development Act of 1965 which this legislation would amend, and Section 9 of S. 1704, "Emergency Local Public Works and Capital Development and Investment Act of 1975, introduced by Senator Randolph. These sections require contractors and subcontractors, in performing work, to pay at least the hourly wage rates and employee fringe benefits as set by the Secretary of Labor. We regret that S. 1587 does not contain a provision to eliminate Section 712, or exclude the requirement for the purpose of implementing S. 1587.

Based on a long history of experiences under the Davis-Bacon Act of 1931, and subsequent extensions to federal-aid construction programs, the Associated General Contractors feel obligated to recommend to the Subcommittee that the referred to section be eliminated from the Public Works and Economic Development Act of 1965. Among the reasons for such a recommendation:

1. It would be detrimental to the operation and purposes of the bill. It would dilute the beneficial effects which the bill will have on reducing unemployment in the construction industry, and on aiding economic recovery generally.

2. It would result in higher minimum wage rates being required in the performance of contracts under this bill than are usually paid on similar work in the locality of the project.

3. It would result in higher overhead administrative costs to the government and to the private contractors performing work under this program, by way of Davis-Bacon surveys, hearings, dispute settlements and red tape generally.

4. It would create roadblocks to the entry of minorities and disadvantaged youth into the construction industry in connection with construction projects under S. 1587 and S. 1704.

Following are brief explanations of the reasons just mentioned for opposing Davis-Bacon.

It would dilute the beneficial effects of reducing unemployment in the construction industry for an obvious reason. It would be more beneficial to employ three men at \$5.00 an hour (which is still more than double the National wage minimum of the Fair Labor Standards Act), than one man at \$15.00 an hour, which is what the Davis-Bacon provision would require in areas where such rates are presently supported by the Davis-Bacon Act. Where \$10.00 an hour is the top construction wage rate, it indicates that two men could be employed at \$5.00 an hour in lieu of one man at \$10.00 an hour, as the Davis-Bacon provision is requiring in such areas. These facts should have economic significance to those concerned about the 25 to 50 percent unemployment rates in many sectors of the construction industry.

The 44 year history of the Davis-Bacon Act is replete with instances where it is costing more to perform federally involved construction because of that Act than to perform similar

private construction.

No less an authority than Congress' own advisor, the Comptroller General of the United States, has documented these observations in his report of 1971 (B-146842) covering a 10 year study of the Act. His conclusions were that the Act added 5 to 15 percent to the costs of federally involved construction contracts over and above what the normal costs would have been.

The observations of the AGC staff and members in daily contact with Davis-Bacon administration provide documentation of the excessive wage costs imposed by this Act. A University of Pennsylvania research project on the Davis-Bacon Act also verifies the added costs resulting from the Davis-Bacon Act. Dr. Armand T. Thieblot, Jr., the author of the study, concluded that over the 44 year history of the Davis-Bacon Act and related laws, these laws have resulted in the additional, otherwise needless, expenditure of some \$20 billion, with no redeeming results. Details of our AGC experience, and the University report, can be furnished if you wish.

The indirect detrimental effects of these laws are as serious as the direct effects of imposing inflationary wage rates on public contracts.

One indirect effect is higher overhead costs. Private industry, throughout the country, spends countless hours of valuable time collecting wage data for use by the Davis-Bacon Administrators. The government itself spends large sums processing wage data, holding hearings, issuing so-called wage determinations and endlessly changing them. When it is realized that no redeeming benefits accrue from these efforts, the seriousness of including the Davis-Bacon provisions in both of these bills should be very evident, indeed.

Another indirect detrimental effect is on the growth and efficient operation of the construction industry. The Davis-Bacon Act is administered in such a way as to curb maximum training of future journeymen to meet the need for more and more construction craftsmen in years to come. The Act is used to impose strict regulations training activities on federally involved construction projects, and this amounts to a virtual blockage of any training by contractors operating without labor agreements, which constitutes about 50 percent of the industry.

For these reasons noted, it is the considered judgement of this Association that if S. 1587 is to be implemented as an extension of the Public Works and Economic Development Act of 1965 and S. 1704 is to succeed as an emergency measure, the Davis-Bacon portion would be detrimental to the purposes and operations of the programs proposed under these Acts.

In closing, the impact of this period of uncertainty touches us all. While we have stated that the construction industry is at about 50 percent of its full capacity, it is still the largest industry in the world. It accounts for about 10 percent of the gross national product and can provide direct employment for about five million persons. We know the vitality of our nation and of our industry and have no doubts that our people and technology can then build the projects you envision.

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA, INC.

ADVANCING VOLUNTARY LEADERSHIP IN A CHANGING WORLD

Chamber of Commerce of the United States

LEGISLATIVE ACTION GENERAL MANAGER
HILTON DAVIS

202-659-6140

1615 H STREET, N.W.
WASHINGTON, D.C. 20006

May 21, 1975

C

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

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Dear Mr. Chairman:

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Enclosed is the National Chamber's statement on
S. 1587, a bill intended to increase the anti-recessionary
effectiveness of the Public Works and Economic Develop-
ment Act.

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We will appreciate your consideration of our views
and the inclusion of our statement in the hearings record.

Cordially,

A handwritten signature in cursive script that reads "Hilton Davis".

Hilton Davis
General Manager
Legislative Action

Enclosure

cc: Subcommittee Members
Richard Greer

STATEMENT
on
S.1587
for submission to
SUBCOMMITTEE ON ECONOMIC DEVELOPMENT
of the
SENATE PUBLIC WORKS COMMITTEE
by
DR. CARL H. MADDEN*
May 21, 1975

The Chamber of Commerce of the United States appreciates the opportunity to present its views on S. 1587, a bill intended to increase the anti-recessionary effectiveness of the Public Works and Economic Development Act. This purpose would presumably be accomplished by building on existing programs of the Economic Development Administration with spending authorizations of \$1.875 billion of which some \$745 million would represent actual outlays during fiscal 1976. For the reasons stated below, the Chamber opposes enactment of S. 1587.

The National Chamber is in sympathy with the intent of this bill--to put some of the unemployed back to work, especially in the depressed construction industry. The Chamber realizes that the purpose of trying to accelerate existing programs is to overcome a usual objection to anti-recessionary public works proposals--that the impact on economic activity occurs too late and, additionally, is counter-productive, since the major impacts on employment and incomes occur with a time lag and only after the economy is well on its way to recovery. For example, Arthur Okun, former Chairman of the President's Council of Economic Advisers has recently commented to this effect regarding federal public works programs in the 1960's.

But there are several other problems associated with public works projects that are not met by this bill, nor would they be met by any bill taking this approach to alleviating recession-related unemployment. The first problem is that public works have a small "employment multiplier". In short, public works are typically capital-intensive, not labor-intensive. This has been recognized for some time. For example, a 1955 report by the W.E. Upjohn Institute for Community Research entitled Public Works and Employment, raised serious questions about the effectiveness of spending

*Chief Economist, Chamber of Commerce of the United States

on public works either in ironing out business cycle fluctuations or coping with recession-related unemployment. There are other, more effective ways to relieve cyclical unemployment than public works. Secondly, since cyclical unemployment is unevenly distributed both by geography and by industry, acceleration of existing projects would only by the sheerest coincidence reduce cyclical--as opposed to structural--unemployment. Thirdly, the capital and natural resources--including energy--that are heavily required for public works are in relatively short supply and are expected to remain so for some time.

Each of these points deserves elaboration.

Regarding the low "employment multiplier" of investment in public works: since recession-caused unemployment is, by definition, short-term, it is best handled by income-sustaining measures that trigger on and off and get income into the hands of the cyclically unemployed quickly. Adequate basic and extended unemployment compensation payments, public service employment and tax relief meet these criteria. The National Chamber supports these measures.

Regarding the uneven industrial and geographical incidence of recession-related unemployment: the primary industrial incidence has been on consumer durables, especially autos, and on construction, especially housing. The geographical incidence of the resulting unemployment has corresponded to the location of these affected industries. There is no reason to believe that a public works program would revive these industries. The sharply higher cost of energy has contributed to the problems of the former and the high cost of housing has contributed to the problems of the latter.

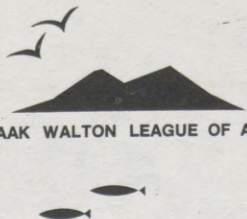
There is a remarkably strong consensus today among knowledgeable people that, in addition to suffering an energy shortage, the United States is suffering from a capital shortage--the result of government policies over the past decade that have overstimulated consumption and have discouraged investment in cost-reducing capital facilities, especially in the energy and basic industrial materials industries. The clearest evidence of this underinvestment is that in 1960-73 U.S. fixed capital formation, compared to GNP, was the lowest of any of the western industrial nations. Looking ahead, a 1974 study by Professor James Duesenberry, Barry Bosworth and

Andrew Carron of the Brookings Institution estimates that our requirements for fixed, non-residential investment will be at least one-fourth larger in 1980 than in the 1960's with less than 1 percent of the 1980 GNP being available for new federal spending or a tax reduction if inflationary pressures are to be avoided.

The point is that our present recession only marks a lull in renewed intense demand on our productive resources. If inflation is not to be rekindled next year Congress should be guided by the current testing of the new budgetary process, and should not increase spending unduly. There is an almost universal consensus among economic forecasters that the recession will "bottom out" around midyear once the needed inventory correction now underway is completed and the rate of inflation falls to a more tolerable level. Construction activity has been seriously reduced by high inflation, speculation and their recessionary aftermath. The best prescription for this industry--as for the economy as a whole--is a government policy of steady and moderate monetary expansion accompanied by a federal budget balanced over the course of the business cycle. In this sort of economic environment the construction industry will once again be able to compete for the capital and other resources needed to supply a growing population with housing.

In short, the National Chamber opposes S. 1587 because, in its view, the bill embodies the wrong approach to the unemployment problem. Rather than add to the already outsized prospective federal deficits in fiscal '75 and '76 by a low employment-multiplier public works program, Congress should observe the President's caution in his March 29 message approving the Tax Reduction bill. That caution was--let the economy (and employment) through tax relief, recover from the inflationary damage caused by excessive government-spending and attendant monetary overexpansion in the last three years.

March 7, 1975


 THE IZAAK WALTON LEAGUE OF AMERICA
 INCORPORATED

The Honorable Jennings Randolph
 Chairman, Committee on Public Works
 U.S. Senate
 Suite 4202
 Dirksen Senate Office Building
 Washington, D. C. 20510

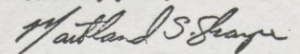
Dear Senator Randolph:

As you are probably aware, the House Public Works Committee has scheduled public hearings for March 13 and 14, on H.R. 3067, the "Emergency Public Works Acceleration Act of 1975." We are pleased that the House Public Works Committee has agreed to entertain the views of interested parties, rather than moving directly to mark-up as was, apparently, originally planned.

We recognize that the unemployment situation is indeed serious, but we believe that there are important unanswered questions as to the efficacy of the proposal in alleviating unemployment and as to the wisdom of discarding the established system of procedural controls.

Therefore, we respectfully request that, if similar legislation is introduced in the Senate, you schedule full public hearings to air all of the complex issues involved.

Sincerely yours,


 Maitland S. Sharpe
 Environmental Affairs Director

MS/pj

cc: Senator Baker
Senator Muskie

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June 12, 1975

Mr. Richard Greer
 Senate Committee on Public Works
 Room 4204
 Dirksen Senate Office Building
 Washington, D.C.

Dear Mr. Greer:

On behalf of the National School Supply and Equipment Association (NSSEA), enclosed are five (5) copies of the testimony of David McCurrach, Executive Vice-President of NSSEA, on H.R. 5247, the Local Public Works Capital Development Investment Act of 1975. Mr. McCurrach requests that it be included in the record of the hearing, if possible.

Sincerely,

HAMEL, PARK, McCABE & SAUNDERS

By:

Louise A. Sunderland

Louise A. Sunderland

encls.
 LAS/tr

Statement of David McCurrach for the
National School Supply & Equipment Association
Before the Subcommittee on Economic Development
of the Senate Committee on Public Works
Holding Hearings on H.R. 5247
June 11, 1975

Mr. Chairman and members of the Subcommittee. My name is David McCurrach and I am Executive Vice President of the National School Supply and Equipment Association (NSSEA), 1500 Wilson Boulevard, Arlington, Virginia. Our membership is comprised of upwards of 470 companies which are involved in manufacturing and distributing supplies and equipment to schools all across the United States. Since our trade association was founded in 1917, we have worked in cooperation with the government and other groups in service to education and to our nation's schools.

Mr. Chairman, all of our members are businessmen -- businessmen who are concerned about where their taxes go and what impact government programs will have on the nation's economy. We are also well acquainted with the country's economic difficulties. Our members and their employees have been affected by the current decline, as has almost every other sector of the economy.

It is from the point of view of concerned taxpayers and citizens as well as businessmen, Mr. Chairman, that I would like to comment on behalf of the members of the NSSEA on H.R. 5247. Over the almost 60 years since the NSSEA was founded, our organization and its members have witnessed many economic ups and downs. We can also remember the public works projects which have been

sponsored by the Federal government in the past. Some of those programs made lasting contributions to the nation as a whole and to many local communities. Others -- as we all know -- contributed little or nothing to the community, and their value was mainly in what they contributed to the welfare of the individual worker. We believe that public funds will be best used where they will both stimulate employment and add something of value to the community.

H.R. 5247 avoids such shortcomings. By making Federal grants available specifically for public works construction projects, there is reasonable assurance that these funds will not only create jobs but will also make the kind of important and continuing contribution to local communities to which I just referred. It is with this in mind that I would like to address my remarks to what may be a real problem in the bill -- the absence of standards or priorities for awarding the grants that are contemplated.

Under H.R. 5247, the Secretary of Commerce may grant funds for virtually any undertaking which could be called a "public works project". The bill makes no distinctions as between different public projects, and it sets no standards for the Secretary of Commerce or the Economic Development Administration to use in allocating funds between competing projects. The projects to be funded under the bill could range anywhere from undertakings such as hospitals or bridges or sewage treatment plants, to those which might by contrast have the lowest level of community usefulness imaginable. We believe that Federal funds should be primarily

available under legislation like this for facilities which will make a significant contribution to essential public services.

Mr. Chairman, we would like to urge you and your committee to incorporate into H.R. 5247 a set of standards or priorities. Public funds should go first to facilities which will provide essential services. Projects such as hospitals and clinics, sewer systems and sewage treatment plants, prisons, libraries, roads, bridges, fire stations, water distribution systems, and local governmental administrative facilities are clearly among those which would make a significant contribution to the health, safety and general welfare of a community.

In this regard, we feel that the repair, improvement and construction of schools should be included in whatever definition is developed for those public works which are to be given priority. I'm sure that I express the views of everyone here when I say that the education of our nation's children is one of the best investments we as a people can make in our country's future.

I would like to emphasize at this point that NSSEA and its members seek no special treatment for schools and no special benefits for ourselves. We believe that H.R. 5247 should properly leave to the state and local governments the decision as to which projects are most needed. We do urge, however, that the funds provided by this legislation be spent first on essential services and that the importance of schools and education be appropriately

recognized in establishing priorities among public works projects. Any facility which will provide service to education will make a significant and lasting contribution to the general welfare of a state or local community.

Mr. Chairman, there is one other specific point I would like to make about H.R. 5247. The bill as currently written contains no definite cut-off for this grant program. We urge you and your committee to impose limitations on the duration of the program -- a year or two at the very most. Our economy is inherently strong and is already showing signs of recovery from the current recession. There is always a danger that programs enacted to meet a specific need at a particular time will become a crutch to the beneficiaries even after the termination of the conditions for which the program was enacted. We believe that this danger can be avoided by providing a precise termination date for this program in the bill itself.

Mr. Chairman, the National School Supply and Equipment Association is grateful for this opportunity to present these views on behalf of our membership. We wish to commend the sponsors of this bill for proposing a program which is intended to respond to the recession by funding public facilities of continuing value. We hope and we believe, however, that soon there will no further need for legislation such as H.R. 5247. We have confidence in the inherent strength of the American economy and the American people. If all of us -- both private industry and government, too -- just work a little harder and keep at it, we will bring about the

economic recovery we seek, and we will sustain and expand that recovery for years to come.

Thank you.



