

Y4
.B22/3
C 73/10

1035

94Y4
B22/3
C 73/10

SUPPLEMENTAL COMMUNITY DEVELOPMENT EMPLOYMENT ASSISTANCE ACT OF 1976

GOVERNMENT

Storage

DOCUMENTS

JUN 29 1976

THE LIBRARY
KANSAS STATE UNIVERSITY

HEARINGS

BEFORE THE

COMMITTEE ON

BANKING, HOUSING AND URBAN AFFAIRS

UNITED STATES SENATE

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

S. 2986

TO AMEND THE HOUSING AND COMMUNITY DEVELOPMENT
ACT OF 1974 TO PROVIDE SUPPLEMENTARY COMMUNITY
DEVELOPMENT BLOCK GRANT ASSISTANCE TO COMMUNI-
TIES WITH HIGH UNEMPLOYMENT DUE TO ADVERSE NA-
TIONAL ECONOMIC CONDITIONS, AND FOR OTHER
PURPOSES

MARCH 2 AND 3, 1976

Printed for the use of the Committee on Banking, Housing
and Urban Affairs

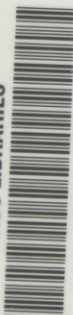


U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

70-229 O

KSU LIBRARIES



✓
ALL900 491835

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

WILLIAM PROXMIRE, Wisconsin, *Chairman*

JOHN SPARKMAN, Alabama

HARRISON A. WILLIAMS, Jr., New Jersey

THOMAS J. MCINTYRE, New Hampshire

ALAN CRANSTON, California

ADLAI E. STEVENSON, Illinois

JOSEPH R. BIDEN, Jr., Delaware

ROBERT MORGAN, North Carolina

JOHN TOWER, Texas

EDWARD W. BROOKE, Massachusetts

BOB PACKWOOD, Oregon

JESSE HELMS, North Carolina

JAKE GARN, Utah

KENNETH A. MCLEAN, *Staff Director*

ANTHONY T. CLUFF, *Minority Staff Director*

CARL A. S. COAN, *Staff Director, Subcommittee on Housing and Urban Affairs*

JOANN S. BAREFOOT, *Professional Staff Member*

(II)

CONTENTS

S. 2986-----	Page 2
--------------	-----------

LIST OF WITNESSES

TUESDAY, MARCH 2

Robert P. Griffin, United States Senator from the State of Michigan----	11
Garry Brown, Representative in Congress from the State of Michigan---	16
Richard Nathan, Brookings Institution-----	31

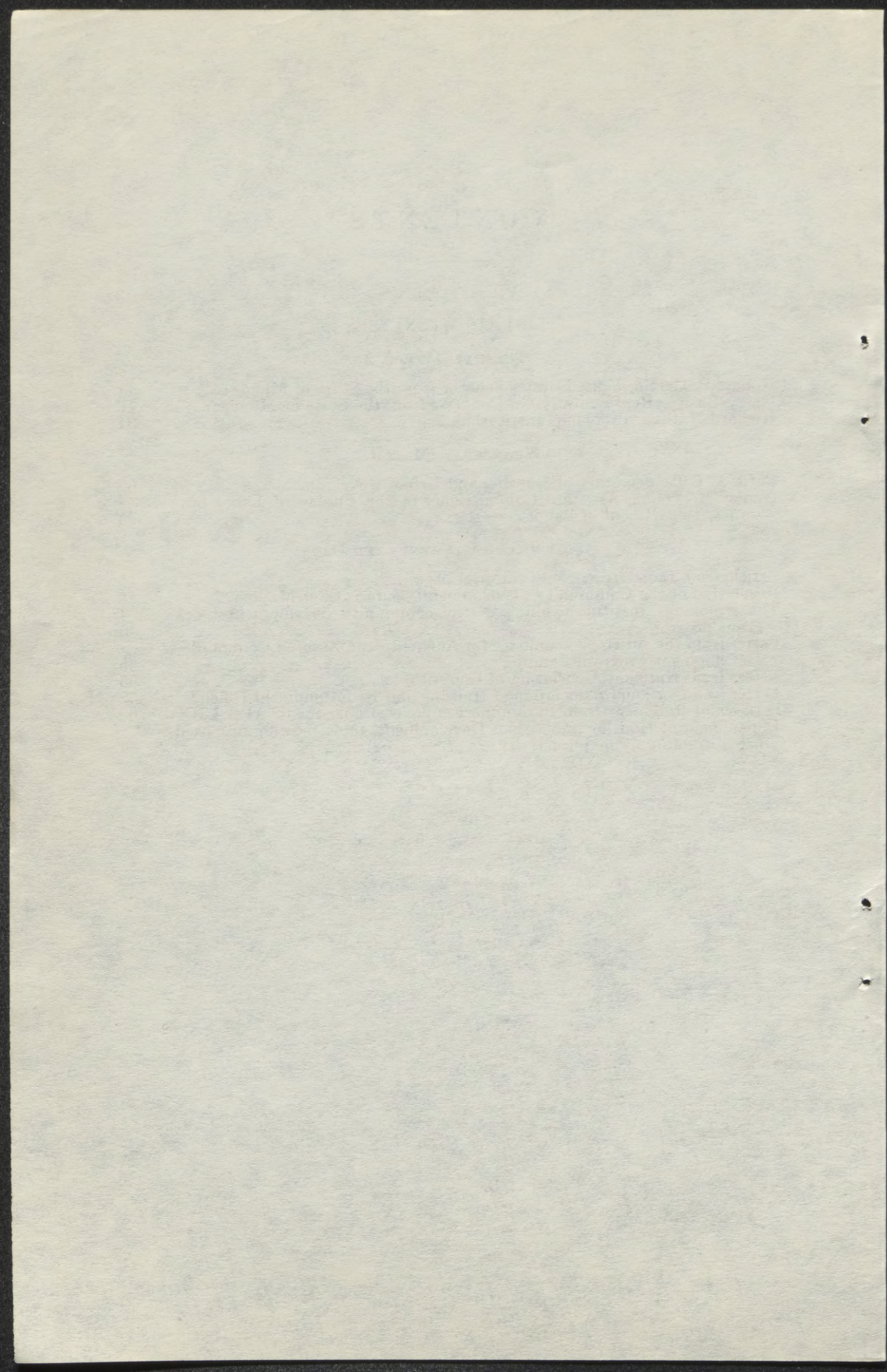
WEDNESDAY, MARCH 3

Carla A. Hills, Secretary of Housing and Urban Development-----	69
Dudley E. Young, Assistant Commissioner of the Bureau of Labor Statistics, Department of Labor-----	96

ADDITIONAL STATEMENTS AND DATA

Article from the Detroit News editorial page-----	15
Resolution of the Community Development Conference of Mayors-----	16
The Brookings Institution study of the community development block grant program-----	50
Letter from the Ad Hoc Committee for Adequate and Assured Community Development Program Funding-----	55
Letter from National Association of Counties-----	56
Letter from National Association of Housing and Redevelopment Officials--	58
Letter and statement from the Public Employee Department AFL-CIO--	60
Department of Housing and Urban Development, table showing proposed use of funding by major activity-----	80

(III)



SUPPLEMENTAL COMMUNITY DEVELOPMENT EMPLOYMENT ASSISTANCE ACT OF 1976

TUESDAY, MARCH 2, 1976

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 3 p.m. in room 5302, Dirksen Senate Office Building, Senator William Proxmire, chairman of the committee, presiding.

Present: Senators Proxmire, Tower, Packwood, and Garn.

OPENING STATEMENT OF CHAIRMAN PROXMIRE

The CHAIRMAN. The committee will come to order.

The Committee on Banking, Housing and Urban Affairs has scheduled two days of hearings, today and tomorrow, on S. 2986, the Supplemental Community Development Employment Assistance Act of 1976.

S. 2986 has been introduced by our distinguished colleague and Committee member from Texas, Mr. Tower, and by Senators Griffin and Thurmond. Senator Griffin requested that the Committee hold hearings on this bill to consider it as a possible approach to stimulating employment, particularly in the construction sector.

The bill would do this by providing supplemental funding for the Community Development Block Grant program which was established by the Housing and Community Development Act of 1974.

Under that program communities have been in the process of assessing their development needs and planning the use of block grant funds. S. 2986 would allow the allocation of \$750 million in additional funds to recipient communities which are experiencing high unemployment, on the theory that they could use these funds to create jobs on projects which are well planned and really needed in each locality.

I understand that the Public Works Committee is currently working on a jobs stimulus bill to substitute for the legislation which the President successfully vetoed.

This Committee may want to keep the possibility of Public Works Committee action in mind as we consider the merits of S. 2986.

[Copy of the bill follows:]

94TH CONGRESS
2D SESSION

S. 2986

IN THE SENATE OF THE UNITED STATES

FEBRUARY 17, 1976

Mr. GRIFFIN (for himself, Mr. THURMOND, and Mr. TOWER) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing and Urban Affairs

A BILL

To amend the Housing and Community Development Act of 1974 to provide supplementary community development block grant assistance to communities with high unemployment due to adverse national economic conditions, 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 "Supplemental Commu-
4 nity Development Employment Assistance Act of 1976".

5 SEC. 2. (a) The Congress finds—

6 (1) that many of the Nation's cities and other
7 communities, whose economic health is essential to
8 national economic prosperity, are experiencing consider-

1 able hardships due to high unemployment resulting from
2 recession; and

3 (2) that the existing community development block
4 grant program can provide an effective mechanism to
5 increase significantly private sector employment while
6 fostering community development in such communities.

7 (b) Therefore, the Congress declares it to be the policy
8 of the United States and the purpose of this Act to reduce
9 unemployment by encouraging and accelerating locally de-
10 termined community development activities to generate im-
11 mediate employment in cities and other communities with
12 high unemployment due to adverse national economic con-
13 ditions. It is the intention of Congress that the provision of
14 assistance under this Act shall be in addition to the assist-
15 ance provided under title I of the Housing and Community
16 Development Act of 1974, or any other law.

17 SEC. 3. Title I of the Housing and Community Develop-
18 ment Act of 1974 (Public Law 93-383), is amended by add-
19 ing at the end thereof the following new section:

20 “SUPPLEMENTARY COMMUNITY DEVELOPMENT BLOCK

21 GRANTS

22 “SEC. 119. (a) (1) In addition to the assistance other-
23 wise authorized under this title, the Secretary is authorized
24 to make grants to any State, metropolitan city, or urban
25 county which meets the requirements of this section to

1 finance community development or other activities which are
2 approved by the Secretary as consistent with the objectives
3 of this title. There are hereby authorized to be appropriated
4 \$780,000,000 to carry out the provisions of this section. Any
5 amounts so appropriated shall remain available until ex-
6 pended.

7 “(2) Notwithstanding any amounts appropriated pur-
8 suant to paragraph (1) of this subsection, the total of all
9 grants approved under this section with respect to any cal-
10 endar quarter shall be equal to the lesser of any amounts so
11 appropriated which remain uncommitted, or \$15,000,000
12 multiplied by the number of one-tenth percentage points by
13 which the rate of seasonally adjusted national unemployment
14 of the most recent calendar quarter which ended three months
15 before the beginning of such calendar quarter exceeded 7
16 per centum.

17 “(b) (1) Of the amount available pursuant to subsection
18 (a) for grants under this section with respect to any calendar
19 quarter, 75 per centum shall be allocated by the Secretary to
20 metropolitan cities and urban counties, except that the Secre-
21 tary may establish such higher or lower percentage as the
22 Secretary deems appropriate in view of unemployment and
23 related factors in such metropolitan cities and urban counties.
24 From the amount allocated under the preceding sentence
25 with respect to any calendar quarter, the Secretary shall

1 determine, for each metropolitan city and urban county which
2 has a seasonally adjusted unemployment rate in excess of
3 8 per centum for the most recent calendar quarter which
4 ended three months before the beginning of such calendar
5 quarter, a supplementary grant amount which shall equal an
6 amount which bears the same ratio to the total allocation with
7 respect to the calendar quarter under the preceding sentence
8 as the ratio of (A) the number of unemployed persons in
9 excess of the number of unemployed persons which
10 represents 8 per centum unemployment in such metropolitan
11 city or urban county during the most recent calendar quarter
12 which ended three months before the beginning of such
13 calendar quarter to (B) the number of unemployed persons
14 in excess of the number of unemployed persons which repre-
15 sents 8 per centum unemployment in all such metropolitan
16 cities and urban counties during the same calendar quarter.
17 For purposes of determining grant allocations under this
18 paragraph, the Secretary shall utilize appropriate unemploy-
19 ment data, as determined by the Secretary of Labor and
20 reported to the Secretary.

21 “(2) (A) After making the allocation with respect to
22 any calendar quarter required pursuant to paragraph (1),
23 the Secretary shall allocate the amount remaining with
24 respect to such calendar quarter for grants under this section
25 to States on behalf of units of general local government in

1 such State, other than metropolitan cities and urban coun-
2 ties therein, which are experiencing high rates of unemploy-
3 ment and serious fiscal problems as defined by the Secretary
4 and which are a result of adverse economic conditions. From
5 the amount allocated under the preceding sentence with
6 respect to any calendar quarter, the Secretary shall deter-
7 mine, for each State which is eligible for assistance under
8 the preceding sentence, a grant amount which shall equal an
9 amount which bears the same ratio to the allocation with
10 respect to the calendar quarter under the preceding sentence
11 as the ratio of (i) the number of unemployed persons in
12 excess of the number of unemployed persons which repre-
13 sents 8 per centum unemployment in such State, excluding
14 unemployed persons in metropolitan cities and urban coun-
15 ties therein, during the most recent calendar quarter which
16 ended three months before the beginning such calendar
17 quarter to (ii) the number of such unemployed persons in
18 excess of the number of unemployed persons which represents
19 8 per centum unemployment in all such States, excluding
20 unemployed persons in all metropolitan cities and urban
21 counties therein, during the same calendar quarter.

22 “(B) Any grant allocated to a State under this para-
23 graph shall be used, or distributed by such State for use in
24 or for the benefit of units of general local government, other
25 than metropolitan cities and urban counties therein, which

1 are experiencing high rates of unemployment and serious
2 fiscal problems on a basis consistent with the purpose of this
3 section and criteria thereunder prescribed by the Secretary.

4 “(C) For purposes of determining grant allocations un-
5 der this paragraph, the Secretary shall utilize appropriate
6 unemployment data, as determined by the Secretary of Labor
7 and reported to the Secretary, except that, in the event such
8 unemployment data are unavailable for any recipient, the
9 best available unemployment data for such recipient, con-
10 sistent with criteria determined by the Secretary, shall be
11 utilized.

12 “(c) (1) Notwithstanding any other provision of this
13 title relating to requirements for contents of applications for
14 assistance, any metropolitan city or urban county which has
15 been allocated supplementary grant assistance under subsec-
16 tion (b) (1) with respect to any calendar quarter shall be
17 entitled to receive the amount of assistance so allocated if it
18 has submitted to the Secretary an application for such quar-
19 ter as prescribed by the Secretary which—

20 “(A) outlines the proposed job intensive use or
21 uses of the assistance and the benefits to the community
22 of such use or uses, particularly in terms of accelerating
23 planned projects and the reduction of unemployment
24 through the creation of jobs in the private sector;

25 “(B) demonstrates that the proposed use or uses are

1 consistent with the recipient's community development
2 program, if any;

3 " (C) requests assistance in an amount, which
4 together with other resources that may be available, will
5 be adequate to complete the proposed activity or
6 activities.

7 " (2) Any application submitted pursuant to subsection
8 (c) (1) by a metropolitan city or urban county receiving
9 assistance under any section of this title other than this sec-
10 tion, shall be deemed approved within thirty days after
11 receipt of such application unless the Secretary shall have
12 informed the applicant within such period of specific reasons
13 for disapproval and the actions necessary to secure approval.
14 Any other application shall be deemed approved within
15 forty-five days after receipt of such application unless the
16 Secretary shall have informed the applicant within such
17 period of specific reasons for disapproval and the actions
18 necessary to secure approval. The Secretary shall approve
19 an application for assistance allocated under this section
20 unless the Secretary determines that the proposed use or uses
21 of such assistance are plainly inappropriate to meeting the
22 purpose of this section, or that the application does not com-
23 ply with the requirements of this section or proposes activi-
24 ties which are ineligible under this section.

25 " (3) Any State allocated grant assistance with respect

1 to any calendar quarter under subsection (b) (2) shall be
2 entitled to receive such assistance promptly after complying
3 with such application requirements as the Secretary may
4 prescribe, consistent with requirements applicable under
5 paragraph (1) of this subsection or otherwise deemed ap-
6 propriate by the Secretary to assure achievement of the
7 purpose of assistance under this section.

8 “(d) Assistance under this section may be used by the
9 recipient thereof for any activity eligible for assistance under
10 section 105 (a) of this title, except that up to 25 per centum
11 of the amount allocated to any recipient with respect to any
12 calendar quarter may be used for such other activity or activ-
13 ities as may be deemed by the Secretary to be consistent with
14 the objectives of this title and assistance under this section,
15 respectively.

16 “(e) Except where otherwise provided in this section,
17 assistance under this section shall be subject to all of the
18 requirements and provisions of this title except that the Sec-
19 retary may waive any such requirement or provision which
20 the applicant certifies will adversely effect the efficiency or
21 impact of the funds provided under this section.

22 “(f) The Secretary is authorized to prescribe such rules
23 and regulations, and to take such steps as may be necessary,
24 to assure the prompt implementation of the assistance pro-
25 gram authorized under this section with respect to any cal-

1 endar quarter, commencing with the calendar quarter begin-
2 ning on April 1, 1976, with respect to which assistance is
3 allocated hereunder.

4 “(g) No assistance under this section may be approved
5 by the Secretary with respect to any calendar quarter after
6 the calendar quarter which ends on March 31, 1978.”.

The CHAIRMAN. It is a pleasure to have Senator Griffin before us today, along with his distinguished colleague from Michigan, Congressman Garry Brown, who has sponsored a similar bill in the House.

I want to welcome both of you gentlemen to this Committee. You are very welcome and we are happy to have you here.

Senator Tower has a statement.

OPENING STATEMENT OF SENATOR TOWER

Senator TOWER. Let me first say, Mr. Chairman, you mentioned my name first in connection with this bill.

Actually, I am a hitchhiker on it. It was Senator Griffin's bill. He was original sponsor.

Senator GRIFFIN. Can I correct you and tell you Congressman Brown introduced it a week before I did?

Senator TOWER. We had a little caucus ahead of time, anyway.

In any case, Mr. Chairman, I think, as will be brought out in the testimony, that this is a bill that we should proceed to consideration on at the earliest possible moment because it is designed to take effect on the first of April.

If indeed the need is immediate, I can think of no better way than to consider this bill with dispatch, pass it in this form or at least not in substantially modified form, because I think this is the quickest way to get help to areas stricken by high rates of unemployment through existent block grant delivery systems.

I would like to commend my colleagues, Congressman Brown and Senator Griffin, for having taken the initiative on this matter and again express the hope that the Committee will act at the earliest possible moment.

STATEMENT OF ROBERT P. GRIFFIN, U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator GRIFFIN. Thank you.

Mr. Chairman, members of the committee, I want to express my appreciation for this opportunity to appear in support of this bill.

As has already been stated, Congressman Brown, who is the ranking minority member of the Housing and Community Development Subcommittee of the House Banking, Currency and Housing Committee, has introduced an identical measure—H.R. 11860—in the House.

Your prompt action in scheduling these hearings is encouraging and we hope that it will lead to speedy passage of a jobs bill that is acceptable to Congress and will be signed by the President.

The legislation Congressman Brown and I have introduced would channel nearly \$800 million in job-creating funds during the next year to cities and states suffering from unemployment rates in excess of 8 percent. We believe this proposal provides a more direct and efficient method of targeting assistance to those communities hardest hit by high unemployment than H.R. 5247, the public works bill that was vetoed by President Ford.

And, to correct any misunderstanding about what our bill would or would not do, cities could use at least 25 percent of the funds they receive under this bill for maintaining public services, such as police and fire protection.

Last summer, when Congress was considering the public works bill, we were at the depths of a nationwide recession. In May, the unemployment rate peaked at nearly 9 percent nationwide, and virtually all the other leading economic indicators showed the economy at rock bottom.

Furthermore, because the recession decreased tax revenues and increased costs for public service, state and local governments experienced total, combined operating deficits through much of 1974 and the first half of 1975.

Today, with the unemployment rate more than a full percentage point below its 1975 high, the need for a massive infusion of federal funds to stimulate the economy is not as great. Indeed, the \$6 billion program which was contemplated under the vetoed bill could be harmful to economic recovery by creating new inflationary pressures.

Obviously, the economic picture is still far from ideal. Many communities, in Michigan and elsewhere, continue to suffer from excessively high unemployment rates.

But instead of setting up a sweeping new program that could take months and perhaps years to successfully implement, S. 2986 would channel additional funds under the existing Community Development Program in HUD to those areas most in need. It would provide prompt emergency relief to local governments which are having a particularly hard time recovering from the recession.

Briefly, I would like to highlight some of the more significant features of this bill.

First, by automatically increasing or decreasing assistance as unemployment rates change and by focusing funds on projects that create more permanent jobs in the private sector, our proposal combines the best features of countercyclical and public works aid.

Second, by making assistance available only when the national unemployment rate exceeds 7 percent and only to communities with unemployment rates in excess of 8 percent, the bill insures that a modest amount of funds can have a large impact.

Quite simply, this means that assistance would be limited to those areas with the worst unemployment—in excess of the current national unemployment rate.

Third, by funneling aid through the Community Development Block Grant program, cities and counties would have wide latitude in setting local job-creating priorities, without the need of Federal approval of each project.

While attacking unemployment, this program would also strike at the root causes of urban decay. Assistance can be used for economic development initiatives to attract and keep industry, to stabilize and preserve declining neighborhoods, and to rehabilitate housing for low and moderate income persons.

For those cities staggering under severe fiscal burdens, this bill grants them discretion to use a portion of the funds they receive for continuing essential services.

As I have already indicated, at least 25 percent can be used for such purposes, including public service jobs. And I might add, the Secretary may allow additional amounts to be spent in this manner.

Fourth, by avoiding the creation of a new bureaucracy at the Federal or local level, start-up time and administrative costs will be

greatly reduced. And, because the HUD block-grant program already requires 3-year advance planning by communities, delays in getting projects underway will be further minimized.

I understand that funds were not spent as rapidly as might have been hoped at the outset in the case of the community development program, but it is also my understanding that communities are now drawing down on their allotted funds under this program at an accelerating rate.

The delays experienced during the initial stages of this community development program are rather typical, I suggest, and underscore the importance of using an existing program, if possible, rather than starting up still another program and creating a new bureaucracy from scratch.

Furthermore, under S. 2986, existing administrative requirements for the block-grant program are further streamlined through a simplified application process. The Secretary would be empowered to waive other requirements of the 1974 Act which will "adversely affect the efficiency or impact of the funds provided . . ." Thus, the risk of delays and bottlenecks is largely avoided under the proposed legislation.

The result is that funds would be available immediately for the creation of jobs for the unemployed. It is estimated that at a first-year cost of \$780 million, about 38,000 new jobs would be created during the first quarter beginning April 1 under this bill, and another 25,000 jobs during the next 6 months.

That compares, I suggest, quite favorably to the projected 28,000 new jobs that would be created under the vetoed public works bill.

Since passage of the Housing and Community Development Act of 1974, the block-grant program has received enthusiastic support from the nation's mayors and other local public officials. For example, last year the Conference of Mayors adopted a resolution commending HUD:

For its good faith and prompt efforts to implement the program within the spirit and intent of the law, for minimum red tape and delays in processing, and for local flexibility in designing program approaches to perceived community needs . . .

At the same time, the Conference endorsed full funding of the amounts authorized and also asked Congress and the President to begin work immediately on legislation to increase the authorization for community development.

As you know, the Administration has requested full funding for this program in its fiscal 1977 budget and the legislation under consideration here today responds to the need for a boost in the authorization levels.

Mr. Chairman, the unemployment problems facing our nation's cities and communities are immediate problems demanding solutions that will provide some immediate relief.

For the reasons previously outlined, I believe our alternative jobs bill offers the best approach for meeting these needs in the shortest possible time.

We would concede that the bill may not be perfect. Perhaps the committee can improve upon it, but we are open to suggestions and

we hope that it will receive prompt consideration and can be reported by this committee for the consideration of the Senate.

Thank you.

[Additional material received for the record from Senator Griffin follows:]

Editorial Page**The Detroit News**6-B — Monday, February 23, 1976

An acceptable works bill

Congressional Democrats who express dismay at the Senate's failure to override President Ford's veto of the \$6.2 billion public works bill should cheer up and throw their weight behind a less costly but more effective bill offered by Sen. Robert P. Griffin.

Critics of Mr. Ford's veto say his action demonstrates his lack of concern for the unemployed of this country. Here in Detroit, a spokesman for Mayor Coleman Young calls the veto a "crippling blow" which sets back Detroit's hopes of overcoming its deficit.

Before commenting on Sen. Griffin's bill, let's set the record straight on what the vetoed measure provided and what Detroit would have gotten from it.

The bill, ballyhooed as a program for creating 800,000 jobs, contained three general categories of spending.

First, it proposed to spend \$1.4 billion on sewage treatment under a formula which would have excluded benefits for Michigan, New York and California.

Second, it proposed a so-called countercyclical fund which included \$10.9 million for Detroit in the first quarter of the year and presumably the same amount for subsequent quarters if unemployment in the city remained at the same level. Detroit could have used the money in any way it wished — and obviously the mayor intended to use it not to create jobs but to reduce the deficit.

Third, the bill proposed \$2.5 billion

for public works, even though Mr. Ford had already budgeted \$18 billion, an increase of 17 percent over the previous year, for that purpose. The sponsors called their bill an emergency job-making plan despite the fact that public works programs historically create very few jobs during the first year.

As an alternative to the vetoed measure, Sen. Griffin's proposal would make money available to the neediest cities for projects already planned and ready to go — street lighting, streets and curbs, water and sewage. From this Detroit would get \$18 million. That \$18 million would create jobs immediately.

Sen. Griffin's plan would cost the nation \$780 million compared with the \$6.2 billion price tag of the vetoed measure and, instead of spreading the cash around indiscriminately, would be aimed directly and solely at cities of high unemployment.

Against this background, it's hard for us to share the despair professed by congressional Democrats and some local officials.

The vetoed bill was a grab bag. Sen. Griffin's bill delivers the help where it is needed most and in a form that can produce results quickly. If Democratic leaders are as concerned as they say they are about the plight of the cities, let them prove it by supporting the Griffin bill, which the President would accept.

Or is that asking too much in an election year?

COMMUNITY DEVELOPMENT CONFERENCE OF MAYORS

MAYOR JOHN POELKER ST. LOUIS, MAYOR STEVE CAPIELLO HOBOKEN

Whereas, the U.S. Conference of Mayors has vigorously advocated the passage of community development block grant legislation and such legislation has now become law; and

Whereas, the successful implementation of that legislation is of the utmost importance to each member city and to the Conference of Mayors as a whole; and

Whereas, the unforeseen popularity of this program with urban counties has led to many more counties qualifying for entitlements under the formula, which has led to a diminishing of discretionary funds under which non-entitlement metropolitan cities were expected to be funded during this fiscal year; and

Whereas, the unmet needs for Community Development funds far outstrip the amount of money available to any community under this program; and

Whereas, Congressional authorization for program levels in future fiscal years is considerably in excess of the currently appropriated level,

Now, therefore, be it resolved, that the U.S. Conference of Mayors commends Congress for passage of a major piece of legislation which will shape a new decade of local community responses to problems of blight, inadequate housing, and opportunities for neighborhood regeneration; and

Be it further resolved that the Conference of Mayors commends the Department of Housing and Urban Development for its good faith and prompt efforts to implement the program within the spirit and intent of the law for minimum red tape and delays in processing, and for local flexibility in designing program approaches to perceived community needs; and

Be it further resolved that the U.S. Conference of Mayors hopes that HUD will continue its efforts to administer the program within the spirit of the legislation with respect to the oversight of the program's implementation, by monitoring local performance on the basis of meeting the legislation's goals, and that red tape and excessive oversight of fiscal and other technical aspects of implementation be kept to the statutorily mandated minimum; and

Be it further resolved that in light of the depletion of metropolitan balance discretionary funds due to the qualification of large numbers of urban counties, the Conference of Mayors urges Congress and the Administration to fully fund the authorized amounts for this program in Fiscal Year 1976 so as to not only provide adequate money for metropolitan balances, but also to provide cities with adequate resources to expand second year program efforts.

Whereas, more than 1,200 cities and counties have prepared and submitted to Housing and Urban Development their first year Community Development applications; and

Whereas, the current authorizations for the first three years of the new program were meant to partially make up for 1974 impoundments and to take into account "the substantial inflation over the past five years in the cost of carrying out community development activities," (from the House Report June 17, 1974, page 4); and

Whereas, the primary objective of the Community Development legislation is "the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income"; and

Whereas, both the rate of inflation and the scope of the Congressional mandate raise serious questions as the sufficiency of the authorization,

Now, therefore, be it resolved that the U.S. Conference of Mayors requests that both the Administration and Congress begin working immediately to increase the Community Development authorization for Fiscal Year 1976.

The CHAIRMAN. Thank you very much, Senator Griffin.

Senator GRIFFIN. If it is satisfactory perhaps Congressman Brown can go ahead.

The CHAIRMAN. Yes, if you gentlemen don't object.

STATEMENT OF GARRY BROWN, REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. BROWN. Thank you, Mr. Chairman.

At the outset I would like to express my appreciation to you for calling these hearings on S. 2986 so expeditiously after the veto on H.R. 5247 was sustained. I am pleased to report that I have received

encouragement from Chairman Reuss with respect to hearings before the House Banking, Currency and Housing Committee on H.R. 11860, which I introduced with a number of my colleagues as an alternative to the public works bill. Also, I have been assured of support from a number of other members of the committee in seeking immediate action on this bill.

As you know, I developed this legislation as an alternative to certain portions of H.R. 5247 which I felt were misdirected and destined for a presidential veto. It was felt that an effective counter-cyclical community assistance program could best be structured by piggy-backing upon the successful community development block grant program developed by both our committees as part of the Housing and Community Development Act of 1974.

By utilizing the community development program, we can take advantage of existing HUD staff and existing 3-year local plans which can be accelerated with a minimum of time, effort and expense on the part of the communities. All of the benefits are undoubtedly evident to you since you are very familiar with the basic CD program. Therefore, I would like to turn to the major points of the Supplemental Employment Assistance Program.

This legislation would authorize \$780 million to be expended, beginning April 1, 1976, according to a formula which is tied to national and local unemployment percentages, which I feel are the real true measures of need. This level of funding is realistic, based on estimates of the unemployment levels over the next year and can be applied quickly and effectively.

When the national unemployment rate is over 7 percent, \$15 million per quarter would be made available for each one-tenth of 1 percent of which that national unemployment rate exceeds 7 percent. The 8.5-percent rate of unemployment which existed during the fourth quarter of 1975, would generate \$225 million for the second quarter of 1976 (starting April 1, 1976). The assistance would go to the areas of greatest need—75 percent directly to metropolitan cities and urban counties (as defined in the 1974 Act) which have unemployment in excess of 8 percent.

The remainder of the funds would be distributed to states with non-urban unemployment over 8 percent to aid communities not otherwise assisted in the above distribution. Since this would include some areas within SMSAs, which are not metropolitan cities or urban counties, I felt a 75-25 split was more appropriate than the 80-20 split in the basic CD program.

As I envision it, a community would submit a brief statement of its planned use of the funds, referencing its HUD-approved community development application. Grants would be administered through their community development program, subject to many of the same statutory standards as community development block grants. However, there would be flexibility for the Secretary to waive, as Senator Griffin alluded to, any particular CD requirements which could adversely affect the rapid use of these funds in creating jobs.

Specifically, as long as the national unemployment rate exceeds 7 percent, funds would be provided for supplemental grants in the second quarter following the quarter for which the data was accumulated. The Secretary would then determine from the amount allocated

to metropolitan cities and urban counties, the proportional amount for each metropolitan city and urban county with unemployment in excess of 8 per centum by comparing the number of unemployed persons in excess of 8 per centum in such metropolitan city or urban county, to the number of unemployed persons in excess of 8 per centum in all such metropolitan cities and urban counties.

The remaining funds would be allocated in the same way to States on behalf of units of general local government in such State, other than metropolitan cities and urban counties which are experiencing high rates of unemployment and serious fiscal problems as a result of adverse economic conditions.

The reason we permit these funds to be used in areas "experiencing high rates of unemployment" rather than areas meeting a strict statutory 8 percent figure is because of expected difficulty in generating precise figures for smaller units of local government with respect to their unemployment. It is my intention, however, that every effort should be made to meet the 8 percent qualification level.

Applications for supplementary grant assistance, notwithstanding any application requirements for the basic community development program would include an outline of the proposed job intensive use or uses of the assistance and the benefits to the community of such use or uses, particularly in terms of accelerating planned projects and reducing unemployment through creation of jobs in the private sector.

The city would also have to demonstrate how the proposed job intensive use or uses is consistent with the objectives of the recipient's community development program.

HUD would have from 30-45 days to approve the applications depending upon whether there was a basic community development program already on file.

In short, let me say that funds under the substitute would be channeled to communities through the existing mechanism and administration of the community development program. Funds would be distributed to communities on a block grant basis, eliminating the need for project-by-project approval by a Federal agency, since each community would decide which projects to start and which projects to accelerate.

I respectfully suggest the local community is in a much better position to know which projects to start and which projects to accelerate than a Federal agency, which would have been the case with H.R. 5247. This is an important and basic difference from H.R. 5247 from both priority and timeframe standpoints.

By making the funds available to communities under the structure of the community development program, not only is the desirable block-grant approach achieved, but also and possibly even more significantly the time delay always incurred by the project-by-project approval act is eliminated since the NEPA function under the Housing and Community Development Act of 1974 is delegated by that Act to the local communities where compliance can be achieved much more quickly.

Having discussed what I consider to be the particular merits of S. 2986, let me take just a minute, if I may, to rebut arguments which I am sure will be made against this proposal by cities who

are facing general budget deficits and who were outspoken in their support of the counter-cyclical funding provisions of H.R. 5247.

Righteously titled "The Local Public Works Capital Improvement and Investment Act of 1975," H.R. 5247 in its Title II was a form of revenue sharing more general than general revenue sharing and was about as removed as it could be from "local public works." Title II of H.R. 5247 had as its sole purpose a sort of generalized New York City type assistance but in the form of a grant rather than a loan; funds distributed under such title for all intents and purposes becoming funds which a city could devote entirely to public service jobs, thereby permitting a retention or expansion both quantitatively and qualitatively of its municipal payroll.

That many of our cities are in need of an infusion of funds or substantial reduction in expenditures cannot be denied. However, I respectfully suggest that it is a fraud and a sham, and I normally don't use those poignant words, Mr. Chairman, except they have been used in respect to my proposal, to incorporate such a program in a public works bill whose proponents contend is a measure directed at creating jobs in the private sector.

Our cities contend that their present difficulties are primarily the result of general, high unemployment. With this I concur.

However, it is interesting to note that as of January of this year, government workers nationwide had one of the lowest rates of unemployment, 4.2 percent, while construction workers had one of the highest, 15.4 percent; the rate of unemployment among construction workers in Detroit, for example, being 27 percent.

S. 2986 especially recognizes the unemployment rate among construction workers and channels the funds into a program that directly confronts this high unemployment rate by putting construction workers back to work on accelerated projects while at the same time contributing to the national goal and objective of improving our communities.

I would respectfully suggest that the putting of construction workers back to work would contribute significantly to the fiscal well-being of our cities in a constructive, more permanent way than would the mere Federal funding of public service jobs.

I do not contend in its substance that S. 2986, or H.R. 1160, is a "substitute" or an "alternative" to Title II of H.R. 5247, those terms having been adopted or used only for purposes of identification. But rather, S. 2986 is the kind of "jobs" bill that H.R. 5247 claimed to be and its Title II was not. If this Congress wants to assist hard-hit municipalities with their deficit problems, then let us frankly and forthrightly provide such assistance without cloaking it in the erroneous nomenclature of H.R. 5247.

Depending upon the conviction of the Congress to be of assistance in accomplishing its recession recovery goal and objective, other measures may need to be considered. However, I respectfully suggest that under any objective analysis solid help can be provided in the tightest time frame possible and in the most efficient way by the passage of S. 2986 or its companion in the House.

Thank you very much, Mr. Chairman.

The CHAIRMAN. I want to thank both of you gentlemen for two highly competent and helpful statements.

I must say that the idea behind this legislation is very appealing. The notion of providing money that can be put to work as promptly as possible, number one. And number two, having the localities determine themselves what programs can be accelerated most rapidly and move in that direction.

I am just wondering, however, whether or not this legislation achieves that purpose.

As I understand it, you have a period of time between the time to determine the unemployment situation in a particular community and the time when the funds are available, that is, for gathering statistics, analyzing statistics, and determining that a particular community would be eligible; is that correct, Mr. Brown?

Mr. BROWN. Yes.

I think the Chairman recognizes there is a time lag caused by the time needed for obtaining of the statistics justifying the allocation of funds. Because there would be a reallocation each quarter, it would take some time, and that is why you use the second preceding quarter as the period upon which the fund is based.

The CHAIRMAN. Let's assume the bill is passed on April 1, and signed into law on April 1, and we start the process moving.

How long would it be before the first funds could be made available for the first city to begin, at best?

Mr. BROWN. If this legislation were passed now, you go back to the last quarter of 1975 to determine the size of the fund and the allocation of the fund so it could be distributed as of April 1 or as soon as the brief statement can be submitted by the community involved.

The CHAIRMAN. Well, then, you don't develop the current statistics. You go back to the statistics you had 6 months before.

Mr. BROWN. Yes. We would go back to the second preceding quarter. The amount of the fund for the first quarter is determined by \$15 million times—each one tenth of one percent that the unemployment in the second preceding quarter exceeded 7 percent, so since the employment rate in the last quarter of 1975 was 8.5 percent, it was one and one half percent or fifteen tenths above 7 percent, so the fund would consist of 15 million times 15, which makes the fund distributable as of April 1, if the law were enacted, \$225 million for that quarter.

The CHAIRMAN. It is my understanding that the while community development legislation that we already have on the books provides for some \$2½ billion as the authorization, the draw down, that is, the amount that has actually been put into effect or used in the first 13 months, has been only \$465 million, and that furthermore, while there has been an increase, the increase since August or September, has not been that impressive.

For example, in October it was \$68 million. In November it was \$17 million, and in December, \$89 million, and in January, \$75 million.

It hasn't been accelerating as one might think. They are not drawing down the money that is already available.

Mr. BROWN. May I respond, Mr. Chairman, to that?

The CHAIRMAN. Yes.

Mr. BROWN. In fiscal year 1975, there were 1,345 eligible, formula entitlement communities, cities or urban counties; 1,324 applied for their funds; 1,321 were approved.

Of the total of 1,345 eligible, 1,324 applied; 1,321 were approved.

In fiscal year 1976, of course the same number of eligible ones. So far 176 have applied and 26 have been approved.

I think we need to separate what is the Federal function in approving these things and what is the draw down.

Basically, the draw down depends on the action of the community developing the project, putting people to work and drawing on the entitlement from HUD.

Now, there is now way that we can dictate to local communities to get their project in shape and draw down faster.

So all I am saying is, I don't think you can criticize the program itself or the Federal administration for the fact that there hasn't been the kind of draw down we would like.

At the same time, I would respectfully suggest if we look at December, practically \$90 million as compared with \$20 million in July. That is a pretty good acceleration.

I would suggest maybe the drop-off in January was because maybe the local communities weren't doing quite as much paperwork during the holidays.

The CHAIRMAN. What I am getting at is, what is there to make us feel that if we pass this legislation, we are going to get money expended in view of the fact we have had this emergency for more than a year, we have had very heavy unemployment which has been declining, which you well point out. What is there to make us think that if we make another \$700-plus million available, that money will be expended rapidly, whereas the much larger amount hadn't been.

Why do we need the extra money when they aren't using what they got?

Mr. BROWN. The bill addresses itself in two ways to that problem.

First of all, 25 percent of the funds can be used for activities that would not qualify under the community development act. This means that both HUD has flexibility in approving—

The CHAIRMAN. As a matter of fact, it could be more than 25 without the Secretary's approval, isn't that right? It can go higher.

Mr. BROWN. Up to 25 percent can be used for non-CD activities, except to the extent that the Secretary can waive the certain CD requirements which could give her a bit more flexibility.

We are sincere in our desire to get this money out to the communities, to get them to be paying for man-hours of work as soon as possible, that is why those two flexible items are put in the bill, the 25 percent for non-CD activities and the Secretary's authority to waive any of the strict requirements of CD.

The CHAIRMAN. If I were a mayor, I would be concerned right now with the effect on taxes, and so forth, and I might be very well inclined simply to substitute this money for money that would be local money that might be spent, to hold down taxes rather than provide jobs.

Mr. BROWN. But you could not because the brief statement has to say what projects are going to be accelerated, what the job intensive uses are going to be.

Are you saying a mayor is going to submit a fraudulent statement of what he intends to use the funds for?

The CHAIRMAN. No. I don't think the statements would be at all fraudulent.

I think they would be very sincere about it. But they might very well make a cutback and then later on decide that this is the best way they can put people to work, and the real effect would be to expend no more money in this area.

I think that is one of the reasons why in the community development money we provided for that prohibition. We didn't simply want to substitute for other money. Not simply a revenue sharing program.

I have a feeling at least to some extent this might become another addition on the revenue sharing program which has some merit as well as some problems.

Mr. BROWN. Without encompassing the program in too tight strictures, the legislation attempts to make sure that the money is used for accelerated projects for jobs in the private sector.

I think we have written it about as well and indicated the congressional intent as well as we can, to make sure there isn't a substitution.

That is certainly one of the problems of Title 2 of H.R. 5247.

You are just going to be providing federal funding for jobs where local funds are presently committed.

Senator GARN. Would the Chairman yield?

The CHAIRMAN. Why don't I yield now.

Senator GARN. I just wanted to make a comment on some of your questions and speak as a former mayor who was working on a community development program from the other end.

Part of the reasons for your lack of draw down is the start-up. When the program was new—and I came back as an officer of the National League of Cities to lobby for the program to begin with—it didn't come out nearly as clean as we wanted it.

Again, there were more Federal restrictions, rules and guidelines without giving us the flexibility that we desired, getting around those and trying to fit within some of the guidelines. And having worked with mayors all over my State—I was the mayor of Salt Lake City—trying to figure out how we could fit our programs to the guidelines, we could have taken the money a great deal faster if we had been able to say, okay, this is our program; either approve it or disapprove it.

Some of the housing guidelines in it were difficult.

Now, you will see a continuing acceleration in the draw down as more communities get on it and their programs are being funded.

Now, if we had gone with the other bill, talking about delays, maybe it will take a month or 2 months to add new programs. It took a number of months to get started with CDBG. We will go much more rapidly now than the initial CD program, and furthermore, if we had gone at the \$6 billion, you would be starting that process all over again, and it would be months and months and months before you started to draw down on that program.

I just wanted you to understand that because I was still mayor when this program went into effect.

In fact, my staff member for this committee, Senator, sitting behind me, was the primary designer of our program in our city.

Mr. BROWN. As a spokesman from the House, I'd like to say, that most of the strictures in the bill came from the body in which you presently serve.

Senator GARN. I am well aware of that, Congressman.

I was here as a lobbyist. That is why I ran for the Senate, to infiltrate.

The CHAIRMAN. And you succeeded.

Senator GARN. I succeeded, but it is interesting we constantly talk about mayors on this committee, but very rarely am I asked what my opinion is.

The CHAIRMAN. We don't have to ask.

Senator GARN. I just wanted to respond to your questions, Mr. CHAIRMAN.

Senator TOWER. Let's talk about the speed with which assistance could be gotten into these areas of high unemployment as compared to that if we had adopted H.R. 5247.

Why is this a speedier way of getting money into the unemployment problem?

Mr. BROWN. Because we have basically all the planning done. Every one of these communities has submitted a community development plan. It has structured its projects, what it intends to do. There no doubt are projects—and the mayor—excuse me—the Senator, former mayor—can speak better about this problem, but there are probably projects that didn't have too high a priority, but could be put into being at any time and are job intensive.

Those things—that you ordinarily would do won't be affected. It wouldn't affect your basic community development program because that is going to be funded at its present level, anyway.

What this would do, since it is supplementary, would move that project you intend to put off until the last quarter, say, of 1976, because it isn't of high priority, you can move that project forward and do it now since it wouldn't affect your basic community program.

Senator GRIFFIN. Isn't it also true that if we had enacted the vetoed bill, new regulations would have been required and we could have anticipated a delay similar to that which occurred when the community development program was first enacted.

Senator TOWER. In other words, by using an existing delivery system, we could get money in the pipeline by 1 April, whereas by H.R. 5247, the lead time would have to be around two months.

Senator GRIFFIN. You will have an opportunity to question the Secretary of HUD closely on this, but that would certainly be the intent of the authors of the bill, and we would hope that she would give you some answers as to how quickly the Department could put it into effect.

Mr. BROWN. I think she will testify, she testified before our Housing Subcommittee this morning, that the time involved is averaging something around 59 days for approval of these things, whereas under 235, 36, all of those kinds of programs, it was months; but probably closer to 59 months than days.

Senator TOWER. Could any of these funds be used to rehab existing housing?

Mr. BROWN. Certainly, because we tie in, as you know, in the housing and CD program, we tie in the housing assistance plan with the community development plan.

Senator TOWER. Now, how does this compare with H.R. 5247 in terms of per job cost? I think the statement was that under H.R. 5247 the per job cost would be about \$25,000 per job.

Do you have anything yourself that would indicate what the per job cost would be under this program?

Mr. BROWN. Our estimate, I believe, is around \$12,000 as compared with \$25,000 in the public works bill.

Senator TOWER. In other words, two jobs for the price of one under this bill.

Mr. BROWN. It sounds oversimplistic, but I think that is close to being correct.

Senator TOWER. Your bill provides that up to 25 percent of the funds received by a community can be used for purposes other than those that are eligible under the community development program.

What kinds of activities do you think would be allowable under this provision? And how do you arrive at the 25 percent figure? Is that just something you arbitrarily picked out of the air?

Mr. BROWN. Any figure of this nature, if I may answer the last part of your question first, has to be somewhat arbitrary, but it seemed that 25 percent would not mean that the basic community development thrust of the legislation would be harmed and yet there will be the kind of flexibility that would make it work since it is primarily aimed at producing jobs.

The CD program, of course, the basic CD program is aimed at community improvement, to eliminate blight, conserve neighborhoods, et cetera, whereas this is primarily a jobs program. It has as its goal and objective also the fulfillment of the community development plans, but we thought that use of 25 percent of the funds outside CD requirements would not be overly prejudicial to the community development program and at the same time would help to make the program produce jobs as quickly as possible.

Then you ask what is could be used for. I would anticipate that whereas HUD is taking a rather stringent, or strict attitude toward employees, fire, et cetera in some of the areas of community development, that attitude could be liberalized so as to permit some of those kinds of jobs. Whereas the CD program calls for funds to be directed at neighborhood blight, et cetera, under this bill funds could be used for a facility or an activity not specifically included in the CD program.

Senator TOWER. Is it a means whereby workers have been laid off, these people could be taken off the unemployment roles.

Mr. BROWN. I think the present law requires a maintenance of effort. If there has been a general reduction, you cannot use the funds for public service jobs to benefit a certain area. I think under this liberalization you could add another policeman which would be another job, or another fireman, but this is not a public service jobs bill. It should be jobs in the private sector.

I think the authority to use the exemptions or the flexibility should certainly not be an accentuated aspect of the bill.

Senator TOWER. How did you arrive at your 7 percent national unemployment figure and your 8 percent local unemployment? What was the basis for arriving at that figure?

Mr. BROWN. Well, you have to, in any program, you have to decide how much money you think that you can afford to put in it. Then you have to come up with a formula that will basically benefit those who were the hardest hit.

If you drop down to 6 percent, as the 5,247 did, there are many areas of lesser unemployment which would receive benefits from that bill, and to the extent that you have finite number of dollars, you are taking dollars from an area of high unemployment of say 21 or 22 percent like Detroit, and giving it to some place that has unemployment of 6½ percent.

I just think that isn't the intention of a bill that is aimed at high unemployment.

Senator TOWER. Thank you. I think both of you have offered very good testimony and I will continue to urge that the Committee give speedy consideration to this matter.

Thank you, Mr. Chairman.

The CHAIRMAN. I have some more questions, but let me say I agree with Senator Tower on the consideration aspect of it. I think we should act promptly up or down. Because we need a decision and if we don't go with this perhaps we should go on something else. But I think a prompt decision is certainly what we owe you and the people of the country.

I will do all I can to see that we act as swiftly on this as I can.

Mr. BROWN. In view of Senator Tower's statement about the use of 7 percent, or \$780 million, I think those figures in the way we have structured the bill are our best judgment. However, certainly I do not anticipate that the Senate would act pro forma, and routinely accept my figures.

I think those are the best figures if you want to get the most money to the high unemployment areas. Of course, if the Senate comes up in the exercise of its wisdom, with something else, why, I would want to review it to see whether or not it meets the same goal and objective.

Senator TOWER. In other words, what you are saying is, if the Senate clothes your baby in such a way as it looks nothing like the original, you would probably want to disown it.

Mr. BROWN. Those are your words, Senator, but they probably are appropriate.

The CHAIRMAN. Let me get back to the point I was trying to develop and see if I can get more specific on that.

The problem is that in the amount that has been spent so far, the \$465 million spent in 13 months, much more money is available than that now in the banks. It is ready to be spent if the community can spend it.

You indicate that 75 percent of the program is in the private sector, is in the same area as the community development funds have been spent in the past. Again, I just do not see how simply passing this legislation is going to create more activity here. There is every pressure on the communities now to go ahead and expend the funds, and on the administration to get the funds out, and yet we haven't gotten the jobs moving. There is more money available than they are able to use.

Mr. BROWN. Well, Mr. Chairman, I still think that in that process there is always a sense of priorities. With respect to the housing and community development plans of these communities, I think that they feel that they must establish some priorities timewise as well as projectwise, and as a consequence, they probably are proceeding on some of the things they think have a higher priority but which require a greater startup time.

The CHAIRMAN. But we don't know that and HUD can't seem to tell us that. I understand the plans they have are general, that there are engineering specifications and so forth that are still required, but HUD doesn't know, and I don't see how you can know.

Mr. BROWN. Mr. Chairman, I would only suggest that with plans already in being, whatever the startup time, whatever the drawdown time, whatever the actual job-producing time involved with this legislation, it's got to be quicker than what you had in the public works bill, because you don't have the head-start in that program.

The CHAIRMAN. I voted against the public works bill.

Mr. Brown. Well, I am just saying that when you are talking about time, there is no way that we can answer that with certainty here. I quite agree with you.

But I am just saying, compared with anything else that has surfaced, the startup time, the drawdown time, under this approach would be a lot shorter than any other approach.

Senator GRIFFIN. Could I interject a thought that might be worth checking out. I understand that the smaller communities are having more difficulty in the drawdown than the big cities.

Now, I don't know whether that's good or bad, but it is significant because it is generally the big cities, such as Detroit, that are having the most serious problems as far as unemployment are concerned.

Maybe if you look at what is going on, it could be that the big cities are more likely to be ready to go with projects.

The CHAIRMAN. Well, on that very point, there is a serious question as to how these funds would be spent to reduce unemployment where it hits the hardest. We know that teenage unemployment, minority unemployment, female unemployment is very high, particularly youths unemployment.

What evidence is there that these funds will be used to meet unemployment in those particular areas?

Mr. BROWN. Well, I think construction work normally provides a better opportunity for the less skilled worker—

The CHAIRMAN. The construction work doesn't provide opportunities by and large for women, it doesn't provide opportunities for teenagers by and large because construction trades require a degree of skill, require a degree of maturity to some extent, so the teenagers and women who are so heavily unemployed would not be assisted by emphasis in that area.

I don't mean the bill wouldn't be worthwhile, but it seems to me that one of the biggest parts of our unemployment program would not be met by this.

Mr. BROWN. The unemployment rate in Detroit over-all is 21.3 and the unemployment rate among construction workers in Detroit is 27 percent and I am sure that's true in many other cities.

The CHAIRMAN. How many jobs would this legislation provide?

Mr. BROWN. We anticipate around 63,000.

The CHAIRMAN. How soon?

Mr. BROWN. 38,000 in the first quarter and 25,000 additional—over the period of the bill.

The CHAIRMAN. What do you base that on?

Mr. BROWN. That is always a good question, Senator. What are they usually based on?

Let me say that there is a fact book for estimating the manpower needs of Federal programs. Under this it is anticipated that 80 percent of the funds would be expended for labor service at by dividing the resulting 630 million by 10,000 which represents the yearly average cost per worker this results in the figure of 63,000 jobs.

In turn it is estimated that under the community development block grant program, 70 full-time jobs are created for each \$1 million in CD block grant funds. On that basis it would be about 56,000 full-time annual jobs.

If it were funded at the \$225 million quarterly level which it starts out at, then it would be 900 million instead of 780 million and you come up with the 63,000.

The CHAIRMAN. I like your idea of working with an established bureaucracy, but I'm very, very concerned about working with HUD. Because this seems to be about as slow—molasses in January is slick and rapid compared to the way they are.

We have been pleading with you, as you know, to get moving. We passed an emergency housing bill last August, an emergency bill, that they didn't even begin to make any of that money available until January. Now they tell us it is going to be many, many months before the emergency housing bill even results in starts. It is a very, very slow moving operation.

Mr. BROWN. One of the problems under that legislation, as you know, is that commitments were taken out and to a great extent were not used. When interest rates were reasonable they could in effect hold a commitment, builders could hold their commitments and not utilize them because the rates were not too bad and could save them for use later since they anticipated the rates would be higher later on. They didn't use the funds under the program too much but they were building houses.

The CHAIRMAN. You were the author of that bill in the House and I was the author in the Senate and we had great hopes for that bill. We stressed the fact that in the fall of 1975 we had the worst situation than we have had in years in housing and yet it didn't get moving. This bureaucracy did not operate.

Senator TOWER. If I can make the point here, that HUD has been rather steady in terms of urban area development.

The CHAIRMAN. They have only been able to spend 22 percent of this in the area of urban housing.

Mr. BROWN. That gets back to the drawdown. They have approved, as far as the approval of plans, they averaged, I think, 49 days for approval; 1,345 communities were eligible, 1,324 applied, 1,321 were approved with that 49-day average.

The CHAIRMAN. Approvals are like housing reservations that will become reality sometime, may be, possibly in the distant future.

Senator GRIFFIN. Mr. Chairman, could I add a thought here? I think the mayors would have some judgment of how good a job

HUD is doing. While they are critical of HUD performance in other areas, as I indicated in my statement the conference of mayors has passed a resolution concerning the community development program, which states the following: "and be it resolved that the conference of mayors commends the Department of Housing and Urban Development for its good faith and prompt efforts to implement the program within the spirit and intent of the law, for minimum red tape and delays in processing and for local flexibility design in the program approaches to conceive communities needs."

If I could, I would like to have the whole resolution inserted at some point in the record.

The CHAIRMAN. Yes. That may be done.

Senator TOWER. You already have your lost time now and they are getting cracked up and going. The principal reason for the draw-down situation, is communities can't take the money and throw it out the window. They have to plan their expenditures, it takes time.

The CHAIRMAN. Why can't we just simply stimulate home construction? Why couldn't the Administration use the legislation on the books? They have \$2 billion they haven't drawn down at all, and \$3 million they have drawn down and they say it's going to be months and months before it begins to result in starts.

Why can't they do that? It's already enacted in law.

Senator TOWER. Mr. Chairman, you can't get a bigger bang with the buck. It goes into other things.

We are talking about jobs here. I think \$1,200 per job roughly is a pretty good bang for a buck. I don't see how you can improve on it.

The CHAIRMAN. I understand only part of this money will go into jobs, too. This has to go into other things. They will have to buy materials, they have to buy in some cases, equipment and so forth.

Mr. BROWN. Somebody has to make the materials.

The CHAIRMAN. That's true. That's true with everything we buy. That's true with home building.

Now, something else that bothers me a great deal about this, I hesitate very much to approve any kind of legislation expenditures which the recipients don't seem to want. Where is the support for this? AFL-CIO doesn't seem to want it. The mayors don't seem to want it. The governors don't seem to want it. They were up here with blood in their eye for that bill vetoed by the President, but I hear no support for this legislation.

Mr. BROWN. Have you ever seen anybody in any of the organizations you named who wouldn't rather have \$6.5 billion in federal money than \$780 million?

The CHAIRMAN. It's been vetoed. We have to go with what we have.

Mr. BROWN. They think you are going to come back with something like it. They refuse to face reality.

Senator TOWER. If you put it on a "this or nothing" basis, don't tell me they won't accept it.

Mr. Brown. If there were an indication from your side of the aisle that this is the thing we ought to do now, and we will think about something later on, but this is all we are going to do right now, you would have them lining up by the thousands.

Senator TOWER. If the Chairman would just be old, hardnosed Proxmire the economizer, my, oh my.

The CHAIRMAN. I was, but that had absolutely no effect on nobody but Proxmire the hardnosed economizer.

We had three northern democrats that voted with Griffin and Tower, I believe, to sustain that veto.

Congressman Brown, we have heard opposition from many persons concerned with community development as to hasty tampering. Do you have any concerns about putting too heavy a burden on that law, to do too many jobs?

What do you hear from the various interest groups involved?

Mr. BROWN. Well, you hear all kinds of comments. I think on balance in the areas, in and outside of my district, the community leaders I have talked with, they are very pleased with it. There are spots of problems, of course, the Connecticut court case, I think that it would be my recommendation to HUD that in some areas, that they have not really complied with the true Congressional intent of not substituting a Washington judgment for a local judgment.

I think that has happened in some cases. I think they need to be talked to in that regard. In other ways, they have not done enough to insure strict compliance with the law. When you talk about tampering, I think we have to just look at each of these criticisms or comments individually, and see if they are valid and then I think it's incumbent upon us who basically believe in the program to make sure it works, but overall, I think the comments have been very, very good.

I think that as far as overburdening that program, we don't touch it, really. We couldn't touch it with this legislation. That is why it's entitled a "Supplemental Program." That is why it triggers in at 7 percent and triggers out at 7-percent unemployment.

We don't want it to be a program that's going to be blended into the basic community development program. It isn't my desire and I trust it isn't yours.

The CHAIRMAN. Well, you are going to use the same bureaucracy, same people, the same apparatus.

Mr. BROWN. But it doesn't mean they wouldn't go ahead with their basic plan. What it says is, "If you have got a project that is job intensive that under your three-year plan you intended to do next year or two quarters away, but, if it's ready to go now, you move it up and do it now, because you don't have to draw funds out of your basic community development program to do it."

You use the separate infusion of funds for the separate acceleration of projects.

The CHAIRMAN. You estimate this will cost about how much per job? About \$11,000, \$12,000?

Mr. BROWN. Between ten and twelve, yes.

The CHAIRMAN. Between \$10,000 and \$12,000 per job.

What do you base that judgment on? Just by estimating the 68,000 jobs and dividing that into \$780 million? Do you have an official estimate from HUD?

Mr. BROWN. Yes.

The CHAIRMAN. Is that their estimate?

Mr. BROWN. Yes. Secretary Hills can probably fill you in more on that.

The CHAIRMAN. What does your friend Carla base it on?

Mr. BROWN. It seems you can put anything in the computer you want to and you pretty much determine your answer. What particular criteria they put in from all these figures, I cannot recite for you at this time. But it's the same type of analysis or estimate, and the results are probably as valid, as any other similar computation with respect to cost.

The CHAIRMAN. In other words, you can forget them as far as their meaning anything that is valid and true. You and I know that the President says that the bill he vetoed would cost \$25,000 per job, the advocates say \$10,000 a job.

It's awfully hard to get answers.

Mr. BROWN. I think the same econometric approach was used in each case. Not only did the President disagree with the committee's figures, but your own budget committee got different results.

Senator PACKWOOD. I apologize for being late; I am trying to get the record to show what we actually said on the floor of Congress. Are you contending there is sufficient money now in the community, available to be spent, that needs no more Congressional action, that can be drawn down; and that this bill was on top of that?

The CHAIRMAN. Not exactly. That would account for 75 percent of what is in the bill, but this legislation, in all fairness, does liberalize the way the money can be spent.

It provided that 25 percent or more, if the Secretary of HUD feels this should be the case, can be spent on public jobs, which would not be permitted under the Community Development Act.

A policeman can be hired who has been laid off, and so forth.

Senator PACKWOOD. But as to the 75 percent, the money has been authorized; it has been appropriated, it's there to be spent and it's not being spent, because the local governments are not applying for it.

The CHAIRMAN. We have \$2.5 billion authorized, and they have spent only \$460 million. What I mean is, they have applied for it and got it, but they haven't spent it. It's there. They have it in the bank. They haven't used it.

Senator PACKWOOD. So the fund, as far as our funds are concerned, they are known. They have applied for them and we have transferred it to them.

The CHAIRMAN. And they haven't spent it.

Senator PACKWOOD. But there is no more money left in the fund at the Federal level.

The CHAIRMAN. The money that was available is committed.

Senator PACKWOOD. Okay. I have no other questions.

Mr. BROWN. Senator, if I may, I think it would be helpful if we could get the figures. I am sure that Secretary Hills has them—of the breakdown of the drawdown.

I think that we will find that in your larger cities, where your highest unemployment is today, that they have planning departments, and what have you, that have been able to move their things along faster and I am just guessing, but I would think the drawdown by the larger cities, which should be the areas of primary interest, are using the money faster in the regular CD programs than other communities. The problem is, your \$2.5 billion goes everywhere. So therefore, the 20 percent over-all may not look too good.

But once again, Mr. Chairman, I would remind you that in 6 months, they went from 20 million to 89 million. That is better than 4 percent increase in drawdown.

Even though it slackened off in January, I think we have every right to believe that February will be another high draw month, and in March, it will be an even accelerating drawdown.

The CHAIRMAN. It's still far below their appropriations. What bothers me more than anything else on this bill, it looks like having your anchor man on a relay team to run with two broken legs, and the anchor man in this is HUD, being the slowest administrative agency in history. As you know the great weakness, the great mistake, the reason I voted against the Public Works Bill, voted to sustain the President's veto was that it takes so long to get these into effect.

The 1972 Public Works Program, we didn't really get moving until 1968, which was when it was inflationary.

I am concerned that this one won't move as rapidly as you hope.

Mr. BROWN. Maybe one of the things you would like to do is put in a provision, that if a city doesn't drawdown in a certain time, the funds lapse. Certainly, that would get them moving.

The CHAIRMAN. You Republicans impress me with the way you can spend the taxpayers' money.

Mr. BROWN. Well, you know, we try, I think we even try harder, but you are still first.

Senator GRIFFIN. Mr. Chairman, you indicated—and I don't know whether it was concern—but you indicated that there hasn't been a lot of clamor for this bill.

However our office has received a number of calls from mayors in Michigan, particularly in the Detroit metropolitan area, inquiring about the bill, wondering whether or not it had a chance to pass, and indicating they have projects ready to go.

I also would like to insert in the record an editorial strongly supporting this bill, which appeared in the largest afternoon daily paper in the United States, the Detroit News, where we have very high employment.

The CHAIRMAN. without objection, it will be printed in full in the record.

Gentlemen, thank you very much.

We appreciate your testimony.

Our final witness today will be Dr. Richard Nathan of the Brookings Institution. Dr. Nathan, we are happy to have you. We have your statement. It's a brief, concise statement. We would be happy to have you deliver it if you wish.

Some people complain that before our committees we only have vigorous advocates and vigorous opponents. Not that you are not vigorous, I'm sure you are, but you as I understand it are giving us an analysis, as dispassionate, objective a view as you can.

STATEMENT OF RICHARD P. NATHAN, SENIOR FELLOW, THE BROOKINGS INSTITUTION

Dr. NATHAN. Thank you. I am pleased to be before the Committee.

There are two essential questions raised by S. 2986 discussed in my testimony. The first is the general question of whether some form of countercyclical financial assistance should be provided to state and local governments.

The second question raised by this legislation is, if we assume that such a program would be desirable, what is the best form for it to take? Looking first at the initial question, the Federal Government in recession periods has tended to stimulate the economy through tax cuts because they can be enacted quickly and put into effect quickly.

This means that fiscal policy ends up operating in the private sector rather than in the public sector of the economy. The significance of S. 2986 is that it sets up an automatic program that could be put into effect quickly, triggered automatically, in a recession period and would work in the public sector, in this case helping to deal with the needs of the nation's most distressed urban governments.

My personal view is that some such form of countercyclical financial assistance for state and local governments is a good idea and should be enacted.

Surely, economics deserves to be called the dismal science if just as we are getting out of the current recession you are being advised to enact legislation to deal with the next recession.

The CHAIRMAN. You are saying it wouldn't be this recession but it would help later on?

Dr. NATHAN. I think it would help in a limited way if enacted quickly. But I think the assumption it would be enacted very quickly is probably not a good one. It wouldn't be enacted until likely the end of this year. If it did not begin by then, we hope and most people would anticipate, we would be beyond the trigger point except for a few jurisdictions and maybe hopefully beyond the trigger point nationally.

I think this legislation needs to be looked at, Mr. Chairman, in terms of what we do in the next recession.

A final point in my testimony suggests perhaps it should be linked with general revenue-sharing legislation which is pending before the Senate and which expires at the end of this year.

However, and this is a key point, if we have this authority on the books when the next recession occurs, then we will be able to use fiscal policy in the public sector, as well as in the private sector, producing a more balanced mix of countercyclical macro-economic policies.

While many persons interested in domestic policy would agree that countercyclical assistance, based on the rationale just stated, is a good idea, there is considerable disagreement as to how it should be structured.

One approach would be to have these special payments be like general revenue sharing, that is, eligible to be used for whatever purposes are decided upon by the recipient unit.

Another approach is to have these funds allocated as special project grants for public works.

A third approach—and a relatively new entry in the field—is that embodied in S.2986, namely that countercyclical financial aid to State and local governments should be provided in the form of an "add-on" to Community development Block Grants (CDBG).

Under the CDBG program, enacted in 1974, 594 local governments were entitled to receive formula allocations in 1975—365 central cities, 156 satellite cities, and 73 urban counties.

We have previously talked to members of the Committee staff about research currently underway at the Brookings Institution, under a contract with the U.S. Department of Housing and Urban Affairs, to monitor the Community Development Block Grant program.

I have a summary of this and I would like to submit it for the record.

The CHAIRMAN. Thank you.

Dr. NATHAN. In my opinion, the issue of timing is critical in choosing between the general revenue sharing and CDBG approaches to countercyclical financial aid.

I would like to make some comments in my testimony about questions you raised earlier in the hearing, Mr. Chairman. I would make four points. First of all, the relatively slow—maybe it isn't slow by comparison to other programs—but the fact that only a portion of these funds have so far been expended, it seems to me is attributable to the fact that this is a new program, it's just beginning.

A second point that I think should be made in this Commission is that the CD block grant wasn't necessarily set up on a basis where there was an incentive to local government to move quickly. The idea was to plan carefully and execute effective projects. If that takes time, it seems to me it could be a virtue as well as a problem, unless prolonged and if it occurs widely.

A third point I would make is that planning has now been done, both 3 year plans and the 1-year programs for the CD block grant. Presumably that means that there are many projects which have been considered but not funded, and could be accelerated under a program that said the purpose is to move quickly to expend funds in the public sector in ways that will create jobs.

For instance, from our research I would point out that one of the things that has taken most time under the block grant program is housing rehabilitation. This takes time to set up. It can require new State laws and new local program structures and often new relationships with banks and other financial institutions.

However, other kinds of projects can be moved faster, such as demolition projects, such as water and sewer projects, such as street repair projects, such as social service projects. So it seems to me if you were to decide that this program is a vehicle for countercyclical assistance, that the record to date is not necessarily conclusive, because of the fact, one, this is a new program, and, two, there are different kinds of projects, some of which would lend themselves better to fast movement in an economic decline.

While I think that this information should be put in the record, Mr. Chairman, I would also point out that while I agree with the sponsors of S. 2986, a work shelf of projects could be available in most places, the CDBG program requires citizen participation, environmental, HUD, and areawide regional approvals, all of which take time. S. 2986 envisions that the Secretary of HUD could waive such program requirements and that 25 percent of these funds could be used for other public service needs.

The CDBG approach to countercyclical financial assistance compares favorably to the revenue sharing approach as a public sector countercyclical policy in that it would stimulate new spending to meet urban needs.

On the other hand, under the revenue sharing approach, these funds often end up maintaining existing programs or offsetting what otherwise might have been a tax increase.

So the choice is between fiscal relief to local governments and a program such as the block grant program, which is more like the public works approach and would encourage spending for new public projects to deal with urban needs.

This is the essential trade-off and the main program design issue which needs to be examined in comparing S. 2986 with the general revenue sharing approach.

It isn't inconsistent to combine the two, to say that the CDBG block grant funds should be used to stimulate new urban projects, combined with countercyclical assistance on the revenue sharing basis to deal with the fiscal pressures on local governments.

Finally, Mr. Chairman, I would make several points specifically about the bill.

Number one, I think the triggers in this bill are reasonable, 7-percent unemployment for the nation and 8 percent for individual units, because I do not think this program should be designed for ordinary times but only for periods of real downturn, so it would really trigger in and trigger out.

There is one important question in S. 2986 that hasn't been adequately dealt with as regards the formula. The formula in the bill does not give recognition to the difference in functions and tax effort between local governments. This runs the risk of providing very large grants to some communities, disproportionately large in relation to their responsibility.

I am told Laredo, Tex. under this bill would get a grant equal to one-half its annual budget. One method to deal with this problem would be stipulate in the Act that no participating local government can receive a supplementary CDBG grant under this program equal to more than one-half of its current block grant allocation.

Our final point deals with legislative jurisdiction, which I mentioned earlier. Should the CDBG approach to countercyclical financial assistance be accepted, I think the clearest way to handle this legislation, looking in the long run, which I think is the appropriate perspective, would be for this committee to act and submit a bill to the committees that handle general revenue sharing legislation. In the final analysis it seems to me it would make most sense to have legislation along the lines of S. 2986 included and considered in relation to the general revenue sharing program.

Mr. Chairman, these are some of the policy issues and major design questions raised by S. 2986.

This legislation has significant pluses. It builds on a program and a bureaucracy in place, particularly locally, it would have an appropriate urban focus. Finally, unless we can find a way to have stable, noninflationary economic growth on a continuing basis, and if anything our ability to do this is declining, it makes sense to put legislation on the books this year to have some form of automatic public section stimulus for the next recession.

The CHAIRMAN. Thank you for a scholarly and impressive analysis of this legislation. What strikes me right away is that this legislation was, I am sure, inspired because of the failure to enact the public works jobs bill and I think that almost every legislator and most of the people in the country are concerned with the jobs now. They are concerned with this recession today. Not with the historical possibility or likelihood we may have a recession 4 or 5 years from now or even 10 years from now.

If you are convinced that this legislation would not assist this particular recession in any substantial and significant way, it seems to me that its the coup de grace for the bill. What do you base that assumption on? To be fair to the authors of this legislation it seems to me that is an extraordinarily optimistic outlook you have, only a score of communities would have unemployment of eight percent say a year and a half from now.

New York has unemployment now of 12 percent and Detroit has unemployment much higher than that, even though the auto industry has recovered. A number of other big cities, very big cities have high unemployment.

Of course we are talking about 7 percent nationally, but the economists tell us it's not likely to go below 7 percent next year and many feel it would not go below 7 percent until 1978. Isn't that true?

Dr. NATHAN. As I recall the Administration projected unemployment at about 7 percent at the end of this calendar year. That is very hopeful and optimistic. Most economists would say it is too optimistic. The point I was getting at, Mr. Chairman, is even if unemployment is above 7 percent, if unemployment continues to decline, which I think is reasonable, and is close to 7 percent, the amount of funds triggered by this bill are very small.

If you had unemployment late this year say at 7.2 or 7.3 percent and this legislation was passed by the end of the year, you would be distributing something on the order of a 50 million dollars.

Now, when you spread that out among the —

The CHAIRMAN. Why did you say that, in view of the fact the bill provides for \$780 million?

Dr. NATHAN. That is under current conditions. I am postulating unemployment will go down.

The CHAIRMAN. I see.

Dr. NATHAN. I would stick to that position even if it means that it creates problems in terms of the legislative context of this kind of legislation. It seems we always come up with this kind of a situation. We have a downturn in the economy, and because we don't have the authority to stimulate the public sector we end up putting all of our emphasis on tax reduction. If we think that in the next recession, and this is the thesis of the Muskie bill because it would trigger in and it would trigger out, if we think we should have more balance in our fiscal stimulus, then it is necessary to act now, or at least soon. Otherwise, we will be in the same box, and say it takes too long to start up a public sector program, so that all of the stimulus will be in the private sector when the economy turns down again.

Senator, let me comment also on the point you made about places with high unemployment. If what this committee is concerned about

is the problems of distressed cities, this applies particularly to cities in the Northeast and Midwest sections of the United States; it is not nearly so true of cities in the South, in the Southwest and in the West.

If we have anything like an urban crisis in the United States, the important point is that it is highly differentiated. If this committee were to focus in this legislation or other legislation on the problems of distressed cities in the United States, then I would submit that important thing we know about these cities is that these conditions are regional and these conditions particularly apply to old cities. Work we are doing on the formula for distributing block grant funds and other work that we have done at Brookings on how Federal aid could be provided to inner cities with fiscal distress raises questions that go way beyond what this counter-cyclical measure could achieve.

The CHAIRMAN. I have some other questions. I will yield to Senator Packwood.

Senator PACKWOOD. It's an excellent statement, not only on this bill, but that I have seen before Congress.

We used to think 4 percent was an acceptable unemployment level. Then on occasion I have seen people say we will never attain that level but if we could get it to 5 percent that would be acceptable. The bill has a trigger of 7 percent. I think I may agree with you that by the time it is in place this recession may be over, but how will this really help in a recession if we have to get to 7-percent unemployment before this bill would ever trigger. That would be a reasonably bad recession already.

Dr. NATHAN. Well, I think that is true, Senator. I think that the authors of this bill must have had in mind some of the conditions that are reflected in your question. The structure of employment in the country appears to be changing. We have higher levels of unemployment and yet at the current levels of unemployment in this recession, large numbers of the people who have been unemployed are women, secondary workers and new entrants in the labor force.

Senator PACKWOOD. I got breakdowns exactly the other way. I was intrigued with how relatively low are the male or female head of household figures. I recall 4.7 and 5.4, or something like that, for unemployment in those two categories, as opposed to teenagers or male or female non-heads of households. It's a striking difference.

Dr. NATHAN. It seems to me what underlies these conditions is that unemployment levels significantly above 4 percent today doesn't represent the depth of hardship that it did 5, 10 and 15 years ago, because if it did I think there would be a great deal more protest and a great deal more concern about the levels of unemployment that we have.

Senator PACKWOOD. When we were talking about 50 or 40 years ago in the midst of the Depression, we were talking about male, adult heads of household, there weren't that many men working, there weren't that many women or at least teenagers working and as I recall 24 percent was the zenith, it was almost all able-bodied men.

Dr. NATHAN. I think that is a significant difference. The triggers in this bill are directed at serious and deep economic downturns. I would argue—not argue but I think I would suggest to the committee—that if you were going to markup this bill and move on it,

I like the 8 percent because it would concentrate money in the cities with greatest need. Whether the national 7 percent trigger is right or not, I don't know.

Obviously you could go for other trigger levels. If you decide that in the next recession this is a good vehicle and that we should have significant additional urban investments when unemployment exceeds these levels, it seems to me one possibility would be to consider instead of 15 million for every one-tenth of a percent, 25 million or some other amount. I would urge that if you are going to examine these figures that maybe the 7 percent trigger is high, maybe the amount of funding isn't high enough, but that the notion of a high trigger for individual cities is right because it helps the cities with the deepest need.

Senator PACKWOOD. I have no other questions, Mr. Chairman.

The CHAIRMAN. Dr. Nathan, do you know how many communities would receive a supplemental grant today if the bill passed?

Dr. NATHAN. As I point out in my testimony, there are some 600 cities and counties of over 50,000 in the Community Development Block Grant Program. I do not remember from what the sponsors of the legislation said in their testimony how many of these have unemployment over 8 percent.

The CHAIRMAN. How much in grants could be made? Do you know that, based on your analysis?

Dr. NATHAN. Well, the sponsors of the legislation say \$780 million.

The CHAIRMAN. Do you think that is correct in your view, based on your analysis of it, what is available, what the communities can qualify for?

Dr. NATHAN. Whether they can use that much money as supplemental CD block grant funds?

The CHAIRMAN. Yes.

Dr. NATHAN. I think if the program were to go into effect now that this is not an unreasonable figure, that the cities are now far enough along in mounting these block grant programs, that they have set up mechanisms, devised planning processes, reviewed through citizen participation panels in many parts of the country various alternative projects, and that they would be in a position to respond at this level at this time under this program.

The CHAIRMAN. Is it true you only get \$250 million in any one quarter?

Dr. NATHAN. As a ceiling under this legislation?

The CHAIRMAN. That is right.

Dr. NATHAN. I don't know.

The CHAIRMAN. Under the current unemployment rate. They may even get less than that if the unemployment rate goes down.

Dr. NATHAN. If the unemployment rate goes down, I think by the time this legislation could—understanding the political forces at work—be considered and enacted that hopefully unemployment would be hovering around 7.2 or 7.3 percent, headed towards 7 percent, and that this program as designed and presented here would have only minimal effect in this current recession.

The CHAIRMAN. So how many jobs would result from this kind of a program? The authors estimated 68,000. Don't you think that is a little high? He estimated 38,000 in the first quarter and 25,000 in the next month, in the next 6 months in addition.

Dr. NATHAN. I share your attitude on this. I tend to be on the optimistic side. I think this legislation would have a positive effect in terms of stimulating employment—stimulating employment and new spending to deal with urban needs but I would have to say as currently drafted it isn't anything like on the scale of full employment legislation that has been proposed and discussed in other committees in the Congress.

If the Congress decides that the current unemployment rate is simply intolerable, you need to lop off 2 or 3 million unemployed workers from that total, I don't think any of these bills operate at that magnitude. I don't think either, Senator, that legislation that has been proposed and entitled "full employment legislation" is a realistic or serious proposal.

The CHAIRMAN. What I am getting at is that on the basis of the calculations we have, the way the bill is set up, if unemployment goes down to 7.2 or 7.3 percent, then for that quarter only \$45 million would be available. To translate that out, you would have only something like 18,000 or 19,000 jobs. When you have 6½ to 7 million people unemployed, which you would have under those circumstances, it's really just a drop in the bucket.

Dr. NATHAN. I agree. If this is intended as counter cyclical legislation, then I don't think it really should be designed to provide very large numbers of jobs in the current period. This is a period of relatively strong performance in the economy.

However, if in this period of relatively strong performance in the economy, Congress in its wisdom decided we cannot tolerate the current level of unemployment, you should be looking at other ideas.

Public works is one way, not necessarily a program that triggers in and out, but could be developed now to deal with high unemployment that is sticking at high levels. There are other ways in which you could deal with high unemployment in this current economy. One is through legislation like the Humphrey-Hawkins bill which I submit is very unrealistic and unfortunately oversimplified. If what we are concerned about is jobs, we have to look at more basic issues than are addressed by any of these measures. We have to consider the structure of our labor force, the length of the work week, the nature of unemployment and our minimum wage laws.

The CHAIRMAN. We have to consider a great many other things, too. You talked about tax policy. We could talk about monetary policy. Certainly a more expansive monetary policy might result in more jobs in the private sector by far than this kind of activity.

Dr. NATHAN. You should separate out the need for jobs now with the basic notion of countercyclical legislation that will operate in the public sector. I think counter cyclical legislation that will operate automatically in the public sector is a good idea. The question of whether the current level of unemployment is intolerable in this period of a reviving economy and whether we need to take extraordinary measure—be they tax measures, monetary measures, spending measure or regulatory measures to expand employment in the nation—I think that is really a separate question.

This legislation in the form in which it is proposed is not a jobs bill for now. I think the sponsors really haven't designed that kind of an instrument.

The CHAIRMAN. You say on page 4, paragraph 2, the bill would, and I quote, "Stimulate new spending to meet urban needs whereas revenue sharing would not." How do you know this? Does your study of CD already show that this is the case?

Dr. NATHAN. I don't think I was quite as categorical. I have to look at the language in the testimony, but I would be able to say based on data that we already have that I think there is a significantly stronger likelihood that this approach would produce additive public works-type spending in the public sector, as opposed to the revenue sharing approach. We recently published a report on revenue sharing. One of the principal findings was that in the larger, more hard-pressed local governments, the tendency is for large amounts of revenue sharing to be used to balance the budget and make ends meet, that is, for substitution or displacement purposes. That would be particularly true for governments with more than 8 percent unemployment. Already, based on research we have done on CDBG, I believe there is likelihood of a significant difference in the new, urban project stimulatory effect of these two measures. The reason the mayors aren't up here today, I submit, is they would much rather have money they could use to deal with their fiscal contingencies and to make ends meet, balance their budget, keep employees on the payroll and avoid tax increases. This legislation really pushes the mayors to use these funds in ways that would deal with urban needs during a recession.

That is why I said in my testimony that I think it's perfectly reasonable to consider some mix of the two. In other words, instead of having the mix of public works and countercyclical revenue sharing as now proposed, you could use the CD program as the public works vehicle. It would be much faster than a big program for project grants managed by the Federal bureaucracy.

If you are serious about designing some kind of counter cyclical public service program, a good mix would be to have some portion in CD and another portion in general revenue.

The CHAIRMAN. Now, you made a very astute analysis of the way this money would be distributed, particularly as it affects tax effort, pointing out that Laredo, Texas would get about half of its budget taken care of, or could, technically, under this legislation. What kind of an amendment would you suggest to the committee to meet this problem and would you advocate that kind of amendment?

Dr. NATHAN. I would. There are two ways of doing it. The most significant fact about American federalism is the different roles different governments play. There is tremendous difference in the roles of governments in American federalism. This bill doesn't take that into account. One way to do this would be to fundamentally redraft the bill and say if you are going to use the CD block program, that you are going to use local and national unemployment triggers, but then that whatever the amount is that is triggered is then distributed to individual local units on the basis of population, poverty and tax effort, or a similar formula.

There are all kinds of possible variants. What I propose in my testimony, and I think it's the simplest way, would use the formula proposed by Senator Griffin and Congressman Brown. At the same time what you could say is that any government that would get more

than half of what it received for the same year in a block grant for CD would be restricted to half of the latter amount, so that the money wouldn't be out of scale, which is a problem. That is a bit arbitrary, but I think it's a workable solution.

The CHAIRMAN. Congressman Brown suggested one way of making sure this money would be used rapidly would be to lapse it. What do you think of that? To say if you don't spend this money within a certain amount of days the money would lapse.

Dr. NATHAN. I think that is workable, Senator. There are many programs that do provide for the redistribution of funds. I think it would put a little extra pressure on cities to be sure—as I point out in my testimony—that these funds are being targeted on the kind of CD project that could move quickly.

There is a difference in what people are doing under the CD grant. Some communities are using this money for new and innovative housing rehab programs which take a lot of time to work out. They are also using some of this money for things that can be done quickly. That is what they are spending now.

You have to force these communities which get these monies, to use them for things that are going to have an impact during a recession. I think that is not a bad suggestion.

The CHAIRMAN. Now, you have been monitoring the CDBG block grant program and I am sure you have got some ideas on the kind of activities being used under that program; what is the general nature of these activities? Do you call them job intensive? Is this a good way to provide unemployment from that standpoint or could they be speeded up?

Dr. NATHAN. When we talk about some programs producing more jobs than others, there is a lot of mythology and public relations connected to that. I think you covered that in one of your questions. If you inject a certain amount of money into the economy, and decide to operate with a deficit of X amount, the stimulatory effect of that additional spending will be very hard to identify. It may go into housing. It may go into buying supplies and equipment, bringing down inventories.

I think there is sometimes too much effort to distinguish different kinds of stimulus.

The CHAIRMAN. Let me give you an example that seems to me to be very dramatic. On one hand you have the space program, where much of the money you spend goes to people who are very high-skilled and command a very high salary and it is true they spend the money, in turn and there is a ripple effect; but in contrast take a housing program, where you provide shallow subsidy and most of the money comes from the private sector and there are many families that aren't able to buy a home with interest rates $8\frac{1}{2}$ to 9 percent, the mortgage rates.

If they are subsidized down to $6\frac{1}{2}$ and 7 percent you open up this possibility for many, many families so the private money that otherwise wouldn't be borrowed and expended, you stimulate it, it could be borrowed and expended with a minimum amount of Federal stimulus.

Contrasting those two programs, the space program on the one hand, and the housing program on the other, doesn't it seem reasona-

ble you could get far more jobs for the same amount of federal expenditures with the shallow subsidies housing program?

Dr. NATHAN. I am uneasy about shallow subsidy housing programs, if they are too shallow.

The CHAIRMAN. Well, there is that big of a difference rate, between 7 and 9, that is a whale of a difference.

Dr. NATHAN. Yes. I guess that is what you have to do.

But I could respond and say, I think there is, to stay with what I said earlier, a tendency to attach too much significance to different kinds—

The CHAIRMAN. What I have in mind is not only the stimulating fiscal policy, but a harmonizing monetary policy that eases up on credit availability, so you don't simply shift your borrowing, and you get more activity that way.

Dr. NATHAN. As I started to say, I think there is a tendency to overstate the differences in the job multiplier effects of different kinds of public investments. There is a difference. I won't quarrel with you. As between a housing program and the space program, you get a higher job multiplier in the housing programs you mentioned. I think you get a higher job multiplier in the CBDG block grant: the kinds of things that would be stimulated would be street paving, demolition, things that could be moved fairly quickly, maybe some rehab, although that generally takes longer. As between these kinds of public projects, which in many cases would be labor-intensive and housing programs such as you describe, or a public works program such as in title I of the public works bill just vetoed, I don't think the job multiplier effect is going to be distinctively different.

I think the real question is how much stimulus do you want.

The CHAIRMAN. I have a couple more quick questions, then I am through. In your opinion, does the progress of the block grant program to date constitute a strong foundation of planning, so that supplemental funds under S. 2986 could be used quickly and if necessary in these projects?

Dr. NATHAN. I have been in about 12 to 15 cities and we have received data we are looking at and still analyzing from approximately 50 units out of 62 in our sample. I have not read all of the reports for all of the units. I may have read 20 or so. Understanding that in programs like this, there are always variations, there are some jurisdictions that are on the move and making real headway and others doing less well. But I would say that overall the experience of block grant programs, in terms of setting up planning and related citizen participation activity, to use resources on a reasonably comprehensive basis in urban target areas, that the experience, from what I know, compared to other federal programs, would lead me to say this is a reasonable vehicle for countercyclical assistance.

I think that it is making headway and developing on what would appear to be essentially a good basis.

The CHAIRMAN. Then, you don't feel apparently that the objective of employment stimulus funds in the block grant procedures could cause problems or misdirect larger programs?

Dr. NATHAN. If you are talking about this level of expenditure and assuming it isn't going to go in for six months and by then unemployment is going to be hopefully significantly lower, I think

yes, very definitely the local governments could cope. Some of them by that time would have close to a year's experience and would be planning and anticipating this program for a longer time.

However, what I would really like to lay before the Committee in this testimony is that to my way of thinking the significance of this legislation isn't necessarily for this year. If we assume the Community Development Block Grant program continues and becomes an instrument for comprehensive planning and urban program implementation 4, 5 and 6 years from now, then I think it would be a very good vehicle. I repeat, I don't think—

The CHAIRMAN. Let's look at it the other way for a minute. Supposing the Committee did, as Congressman Brown suggested, passed this legislation, got it enacted into law by April 1 and make \$780 million available and lapse the funds if they are not expended. Would this be a sound and effective program?

Dr. NATHAN. Senator, I would have to state as reflected in my testimony, I feel that it is the longer range impact and usefulness of this legislation that ought to be highlighted.

My first experience in Washington was as a legislative aide and having been in Washington now for quite some time, I think your assumption is a big one, namely, that you could get this legislation enacted and move it by April 1 at a level of \$780 million annually.

And, of course, that is the annual spending level. There would be in the first quarter, I think, something approaching \$200 million. I don't think that is unreasonable.

The CHAIRMAN. That is Congressman's Brown's assumption.

Dr. NATHAN. I don't think that is unreasonable. I think it is a little early to be using the CDBG program on this basis. The real importance of this legislation is down the road, considering using the CDBG program as this kind of instrument.

The CHAIRMAN. How about the lead time involved here? The lead time should be required to bring applications and projects to the point of creating new jobs. Is that part of the problem?

Dr. NATHAN. The closer you make your decision to the time of implementation to the block grant the harder it is going to be, but even now local governments have had experience, have been carrying out projects, have projects they are getting ready to put in their second- and third-year programs.

The CHAIRMAN. Can you estimate what that lead time would be?

Dr. NATHAN. The lead time they would need to get going—

Mr. CHAIRMAN. To bring a job project to the point of creating new jobs.

Dr. NATHAN. From the time of receipt of authority to spend supplementary funds, I think, that something in the law that says that they have to be moving on these programs within 90 days, would not be unreasonable.

The CHAIRMAN. Just before your conclusion you say, "In the final analysis, it would make more sense to have legislation along lines of this bill included as a separate bill in revenue sharing legislation, which, of course, expires at the end of this year."

Well, now, do you propose anything for the present problem? More public works? More community development funds? Anything to meet the problem we have, of seven million people out of work?

Dr. NATHAN. That is an awfully big question. There are some things that I think could be done. For instance, in the area of youth unemployment, I think that people have proposed very interesting and effective ways to enable new workers, we have a real problem with young workers in this economy, to have, in effect, a voucher that says that an employer that hires an employee at the minimum wage, \$2.30 an hour, and provides training to that employee, could receive a Federal Government payment for \$1 per hour for that worker, representing the value of that training.

I think we need to deal with unemployment in new ways.

I think the notion of just throwing money at the current high level of joblessness in the kind of an economy we have now is unfortunate. This approach is reflected in some bills I have seen. I recently gave a talk to the National Commission on Manpower on the Humphrey-Hawkins bill. I think that is an illustration of legislation that isn't creative enough and simply spends and reacts in old ways, in sort of conventional Washington ways to what might be a wholly new kind of condition in our labor force.

If we have, as I suggest, a new kind of—I don't know what to call it—sort of like stagflation, where you have recovery and unemployment together, parallel to stagflation, but on the upside of the business cycle. If that is what we consider a burning problem in this nation today, I don't think this bill is addressed to it, and I think some of the bills that have been proposed are not good answers. Massive public works spending is not a good answer.

The CHAIRMAN. I think we ought to take a good, hard look at other approaches, including tax cuts, including much more imaginative and stimulating housing programs. At any rate it isn't clear whether this bill is to create new jobs, save old jobs, or create jobs for the policemen or provide jobs for the eight percent now looking for work. In any case, it doesn't appear to escape the too little, too late thinking that has characterized this Administration in dealing with the nation's urban unemployment problems.

I want to thank you very much, Dr. Nathan, for a most interesting analysis on this legislation.

Thank you.

The committee will stand in recess until tomorrow morning at 10 o'clock.

[Whereupon at 5 p.m., the hearing was adjourned, to reconvene at 10 a.m. on Wednesday, March 3, 1976.]

[Statement and additional material received for the record follows:]

Testimony Before the Senate Committee on
Banking, Housing, and Urban Affairs

March 2, 1976

Richard P. Nathan
Senior Fellow
The Brookings Institution

Anti-Recession Aid to Local Governments

Mr. Chairman, I am pleased to testify on S. 2986, a bill to provide supplementary Community Development Block Grants to communities with high unemployment.

Two essential questions are raised by S. 2986. The first is the general question of whether some form of counter-cyclical financial assistance should be provided to state and local governments. The second is, if we assume that such a program would be desirable, what is the best form for it to take?

I will discuss both questions in my testimony.

The Idea of Counter-cyclical Assistance

In recessions, the Federal Government tends to stimulate the economy through tax cuts because they can be enacted quickly. This means fiscal policies ends up operating in the private sector.

The significance of S. 2986 is that it sets up an automatic program that could be put into effect quickly in a recession and would work in the public sector, helping to deal with the needs of the nation's most distressed urban governments.

My personal view is that some such form of counter-cyclical financial assistance for state and local governments is a good idea and should be enacted.

Surely, economics deserves to be called the dismal science if just as we are getting out of the current recession you are being advised to enact legislation to deal with the next recession.

But that is what is involved in this legislation. By the time a bill along the lines of S. 2986 is enacted and ready to go into effect, hopefully, we will be beyond the point where it will trigger, or at least beyond that point where it will trigger for all but a handful of cities and urban counties.

However, if we have this authority on the books when the next recession occurs, then we will be able to use fiscal policy in the public sector, as well as in the private sector, producing a more balanced mix of counter-cyclical macro-economic policies.

What is the Best Approach?

While many persons interested in domestic policy would agree that counter-cyclical assistance, based on the rationale just stated, is a good idea, there is considerable disagreement as to how it should be structured.

One approach would be to have these special payments be like general revenue sharing, that is, eligible to be used for whatever purposes are decided upon by the recipient unit.

Another approach is to have these funds allocated as special project grants for public works.

A third approach--and a relatively new entry in the field--is that embodied in S. 2986, namely that counter-cyclical financial aid to state

and local governments should be provided in the form of an "add-on" to Community Development Block Grants (CDBG).

Under the CDBG program, enacted in 1974, 594 local governments were entitled to receive formula allocations in 1975--365 central cities, 156 satellite cities and 73 urban counties.

We have previously talked to members of the Committee staff about research currently underway at the Brookings Institution, under a contract with the U.S. Department of Housing and Urban Affairs, to monitor the Community Development Block Grant program. A summary on the aims and organization of this study may be of interest to the Committee. (Supplied for the record.)

In my opinion the essential question is whether the general revenue sharing approach or the CDBG program should be used as a vehicle for counter-cyclical financial aid to state and local governments. I would rule out public works spending in this context because of the time that it takes to review, select, approve and mount such efforts.

Indeed, this issue of timing is critical in choosing between the general revenue sharing and CDBG approaches to counter-cyclical financial aid. It is true that the CDBG program is in place, and in most participating jurisdictions there presumably will be a workshelf of unfunded next-order-of-priority projects which could be undertaken quickly with supplementary CDBG funds. This is critical. On the basis of our research I would point out, however, that, while I agree with the sponsors of S. 2986 that a workshelf of projects would be available in most places, the CDBG program requires citizen participation, environmental, HUD and

area-wide regional approvals, all of which take time. S. 2986 envisions that the Secretary of HUD could waive such program requirements and that 25 percent of these funds could be used for other public service needs; the Committee needs to consider the extent to which these provisions would deal with possible delays in the use of supplementary CDBG funds.

On the plus side, the CDBG approach to counter-cyclical financial assistance compares favorably to the revenue sharing approach as a public sector counter-cyclical policy in that it would stimulate new spending to meet urban needs. The revenue sharing approach, on the other hand, would be more likely to produce what in the Brookings study of general revenue sharing we have called, "substitution effects", that is, having these payments end up maintaining existing services, either by preventing a tax increase or substituting for budget cuts or borrowing that would otherwise have taken place. Here, the net effect of the fiscal stimulus (as in the case of a tax cut) may end up being in the private sector, although on a basis that also provides fiscal relief to hard-pressed urban governments.

This is the essential trade-off and the main program design issue which needs to be examined in comparing S. 2986 with the general revenue sharing approach to counter-cyclical financial aid. The CDBG approach may be somewhat slower, although not necessarily. On the other hand, it is more likely to be used for new spending to meet urban needs. These two programs, I would add, are not necessarily competitive. A combined approach, using the CDBG program to spur urban-oriented public projects and counter-cyclical revenue sharing to avoid fiscal pressures on states

and localities hard hit by recession, would make sense as a counter-cyclical stimulus in the public sector.

Other Points

I would like to list for the record several other points to be considered in assessing S. 2986:

1. I think the triggers in this bill are reasonable, that is 7 percent unemployment for the nation and 8 percent for individual jurisdictions, because I do not think that this program should be designed for ordinary times but only for periods of significant economic downturn.
2. There is also an important question about the formula in S. 2986. The formula in the bill does not give recognition to the differences in functions and tax effort among local governments. This runs the risk of providing grants to some units which are disproportionately large in relation to their responsibilities. Several methods could be used to deal with this issue. One would simply be to stipulate in the Act that no participating local government can receive a supplementary CDBG grant under this program equal to more than one-half of its current annual block grant allocation for community development.
3. Also, I am not certain whether sufficient unemployment data can be provided for urban counties participating in the CDBG program, which means that these units perhaps could not be included in S. 2986.

4. Another set of questions involves legislative jurisdiction. Although this is not my area, should the CDBG approach to counter-cyclical financial assistance be adopted, I would think the clearest way to handle this legislation would be for your Committee to act and then submit a bill to the Committees (in the Senate, the Finance Committee) which handle general revenue sharing. In the final analysis, it would make most sense to have legislation along the lines of S. 2986 included as a special and separate title in revenue sharing legislation which, of course, expires at the end of this year.

Conclusion

Mr. Chairman, these are some of the policy issues and major design questions raised by S. 2986. This legislation has significant pluses. It builds on a program in place. It would have an appropriate urban focus. And unless we can find a way to have stable, non-inflationary growth on a continuing basis (if anything, our ability to do this is declining), it makes sense to put legislation on the books this year to have an automatic public sector stimulus for--dread the thought--the next recession!

The Brookings Institution

1775 MASSACHUSETTS AVENUE N.W. / WASHINGTON D.C. 20036 / CABLES: BROOKINST / TELEPHONE: (202) 797-6000

Governmental Studies Program

Study of the Community Development Block Grant Program

Public Law 93-383, enacted August 22, 1974, establishes a program of community development block grants, consolidating seven existing grants and authorizing \$8.4 billion for the three year period July 1, 1974 through June 30, 1977.

The Brookings Institution has initiated a monitoring study of this new program under a contract with the Department of Housing and Urban Development. The study director is Richard P. Nathan, Senior Fellow in the Governmental Studies Program of the Institution. The study is organized under three headings, the (1) political, (2) economic/fiscal, and (3) distributional effects of the new community development (CD) program.

Political: An important aim of the community development (CD) block grant program is to simplify federal grant-making and enhance community flexibility. Funds, however, are not provided on an unconditional basis.

The application for CD block grant funds requires submission of a three-year community development plan and an annual program statement as well as a "Housing Assistance Plan." "Maximum feasible priority" must be given to activities which benefit low- or-moderate income families. Citizen information and participation is required. The Secretary of HUD can only disapprove applications if the description of local needs and objectives is "plainly inconsistent" with the facts or if it is determined that the activities to be undertaken are "plainly inappropriate" to meet the needs and objectives identified by the applicant.

The new procedures for the CD block grant funds, coupled with the presence in many communities of a pre-existing bureaucracy tied to the "folded-in" grants, raise many intriguing questions. At the local level, will the community development bureaucracy continue to operate as it has in the past, often quite independent of the rest of local government? Or will the mayor, council and other general-purpose officials come to influence these programs and activities more fully? Will private industry be attracted to these ventures? Will HUD officials seek to operate the new program in the old (categorical) molds? What will be the role of members of the Congress and the various affected interest groups? What will be the role of the states?

Field research in 55 local governments (30 central cities, 12 suburban cities, 10 urban counties and 3 "discretionary" communities) will be primarily relied upon to answer these political and organizational questions

Economic/Fiscal: Under this heading, primary attention in the Brookings study of the CD block grant program will be given to field research on the ways and extent to which the uses of these block grant funds meet community development objectives.

Does capital spending predominate? If so, for what kinds of facilities? What kinds of social programs are incorporated into local CD plans? How significantly do the uses of funds differ from the purposes to which the predecessor categorical grants were applied? Is their geographical distribution materially different?

Although CD block grants must be allocated under a planning process prescribed in law, there is still the perennial question for the analyst as to whether the activities aided are "new," that is, whether they would have been undertaken in any event in the absence of federal aid. These issues, too, will be explored in the field research.

Distributional: Whereas the general revenue sharing program makes payments automatically to over 39,000 units, community development block grants are not automatic (an application must be filed) and involve a much smaller number of potential recipients. Approximately 500 metropolitan cities of 50,000 or more population and as many as 85 "urban" counties of 200,000 or more population are expected to qualify as "entitlement" jurisdictions on the basis of a formula comprising population, poverty and overcrowded housing factors. Smaller cities and counties, as well as state governments, are eligible for "discretionary" grants.

We need to know in detail about the nature and extent of the shift in resources away from cities previously heavily involved in urban renewal and other HUD grants to other communities. Who are the winners--newer cities, urban counties, smaller cities, southern cities? Why does the formula especially aid these units? Are important policy issues raised by these shifts?

* * *

As the Brookings study of the community development block grant program progresses, it is anticipated that insights on the effects of the program will suggest new areas of inquiry. The use of a network of experienced, on-the-scene field research associates will enable us to take advantage of these opportunities to probe for additional data on the impact on urban conditions of this important change in federal aid policy.

The Brookings Institution is also engaged in a 5-year monitoring study of the general revenue sharing program enacted in 1972. The first report on this study (Monitoring Revenue Sharing, The Brookings Institution) was published in January 1975.

The Brookings Institution
Study of the Community Development Block Grant Program

Field Research Associates and Jurisdictions Monitored

Associates

Victor E. Bach
Assistant Professor, Lyndon B. Johnson
School of Public Affairs
University of Texas

John C. Buechner
Professor of Political Science and
Director of Community and Local
Government Relations, Univ. of Colorado

Robert Christman
City Hall Reporter,
St. Louis Post-Dispatch

James Clotfelter
Associate Professor of Political Science
and Director of the Center for
Public Service
Texas Tech University

Assisted by Albert K. Karnig
Assistant Professor of Political Science
Texas Tech University

Henry Cohen
Dean of the Center for New York City
Affairs
New School for Social Research

-and-

Julia Vitullo-Martin
Assistant Professor
New School for Social Research

Paul H. Conn
Associate Professor of Political Science
Michigan State University

Robert Curvin
Associate Professor of Political Science
Brooklyn College of CUNY

John DeGrove
Director of the Joint Center for
Environmental and Urban Problems
Florida Atlantic-Florida International
University

Governments

Houston, Texas
Harris County, Texas

Denver, Colorado
Lakewood, Colorado

St. Louis, Missouri
St. Louis County, Missouri

Lubbock, Texas
Plainview, Texas

New York City, New York
Mt. Vernon, New York

Lansing, Michigan
East Lansing, Michigan
Alma, Michigan

Newark, New Jersey
East Orange, New Jersey

Jacksonville, Florida
Miami, Florida
Miami Beach, Florida
Dade County, Florida

AssociatesPaul H. Dommel

Assistant Professor of Political
Science
Holy Cross College

Daniel Elazar

Director of the Center for the Study
of Federalism
Temple University

William O. Farber

Chairman of the Department of
Political Science
University of South Dakota

C. Blease Graham

Assistant Professor of Government and
Research Associate, Bureau of
Governmental Research
University of South Carolina

Leon L. Haley

Associate Dean, Graduate School of
Public and International Affairs
University of Pittsburgh

John S. Hall

Assistant Professor of Political Science
Director of Research, Center for
Public Affairs
Arizona State University

John S. Jackson III

Department of Political Science
Southern Illinois University

James E. Jernberg

Associate Professor, School of
Public Affairs
University of Minnesota

Tobe Johnson

Professor of Political Science and
Director of the Urban Studies Program
Morehouse College

Sarah F. Liebschutz

Associate Professor of Political Science
SUNY - Brockport

Catherine Lovell

Assistant Professor, Graduate School of
Administration
University of California - Riverside

Governments

Worcester, Massachusetts

Marlborough, Massachusetts

Philadelphia, Pennsylvania

Sioux Falls, South Dakota

Sioux City, Iowa

Columbia, South Carolina

Florence, South Carolina

Pittsburgh, Pennsylvania

Allegheny County, Pennsylvania

Phoenix, Arizona

Scottsdale, Arizona

Casa Grande, Arizona

Carbondale, Illinois

Pulaski County, Illinois

Minneapolis, Minnesota

Hennepin County, Minnesota

Atlanta, Georgia

DeKalb County, Georgia

Rochester, New York

Greece, New York

Huntington Beach, California

Orange County, California

AssociatesDale R. Marshall

Associate Professor of Political Science
University of California - Davis

Assisted by Rufus Browning
Professor of Political Science
San Francisco State University
and

David Tabb

Professor of Political Science
San Francisco State University

Steven A. Minter

Foundation Associate
The Cleveland Foundation

Assisted by Dolores Minter

Kenneth T. Palmer

Associate Professor of Political Science
University of Maine
and

David Wihry

Associate Professor of Economics
University of Maine

H. Owen Porter

Department of Political Science
University of Virginia

Ruth Ross

Assistant Professor of Political Science
Claremont College

Dorothee S. Pealy

Lecturer in Political Science
University of Washington

Leonard Rubinowitz

Associate Professor of Law and Urban Affairs
Northwestern University

Lester M. Salamon

Associate Professor, Department of
Political Science and Institute
of Policy Sciences
Duke University

Lawrence E. Susskind

Associate Professor of Urban Studies
Massachusetts Institute of Technology

Governments

San Jose, California
Santa Clara, California

Cleveland, Ohio
Cleveland Heights, Ohio

Auburn, Maine
Portland, Maine
Bangor, Maine

Charlottesville, Virginia

Los Angeles, California
Los Angeles County, California
El Monte, California

Seattle, Washington
King County, Washington

Chicago, Illinois
Cook County, Illinois
Evanston, Illinois

Raleigh, North Carolina
Durham, North Carolina
Roanoke Rapids, North Carolina

Boston, Massachusetts
Cambridge, Massachusetts

AD HOC COMMITTEE

for

Adequate & Assured Community Development Program Funding

4620-26 Longshore Ave. Phila., Pa. 19135 215-333-1717

MICHAEL J. LONERGAN
Chairman

March 4, 1976

Honorable William Proxmire
Chairman, Senate Banking, Housing and Urban
Affairs Committee
Dirksen Senate Office Building
Washington, D. C. 20510

RE: S 2986

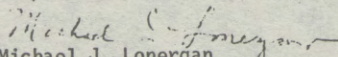
Dear Senator Proxmire:

I wish to vehemently protest the above bill entitled "Supplemental Community Development Employment Assistance Act of 1976."

The bill as written makes the units of government under 50,000 depend on the benevolence of the states. Since there are some 740 hold/harmless small town communities funded with block grants and approximately 1,500 discretionary communities, at a minimum these communities should be granted the same status as metropolitan cities and urban counties for the purpose of supplemental funding.

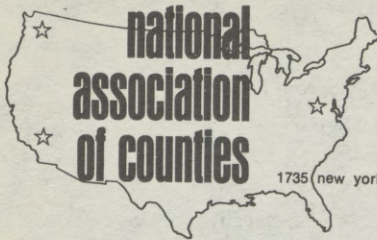
I should also like to point out that no state has a Community Development Program funded in the nation. Obviously it will be most difficult for them to prepare such a program as called for under Title I of the '74 Act.

Respectfully,


Michael J. Lonergan
Chairman

MJL:db

CC Mr. Carl A. S. Coan



1735 new york avenue, n.w., washington, d.c. 20006

(202) 785-9577

4 March 1976

The Honorable William Proxmire
 Chairman
 Senate Committee on Banking, Currency
 and Housing
 5300 Dirksen Senate Office Building
 Washington, D.C. 20510

Re: S. 2986 Supplemental Community
 Development Employment Assistance
 Act of 1976

Dear Senator Proxmire:

On behalf of the National Association of Counties, I wish to advise you of our opposition to S. 2986, the Supplemental Community Development Employment Assistance Act of 1976 as a means of combatting the Nation's current unemployment situation. This bill has been introduced by Senator Griffin and has been embraced by the Administration as the preferred means of solving the unemployment problem over the approach contained in HR 5247, the Public Works Employment Act of 1975. As you know, HR 5247 was vetoed by the President and sustained by the Senate.

Simply stated, S. 2986 is an attempt to use the highly successful community development block grant program, established by the Housing and Community Development Act of 1974, for purposes other than those for which it was created. The thrust of community development is to improve the physical environment of our Nation's cities and counties through the elimination and prevention of slums and blight, the conservation and expansion of housing stock and the improvement of community facilities and services for persons of low and moderate income. Community Development was not intended by the Congress to be the principal means of reducing unemployment. Instead, the Congress has fashioned other programs designed to reduce unemployment.

As an example, HR 5247 contained a package of antirecession assistance for financially hard-pressed state and local governments. It included a \$2.5 billion public works construction program to spur jobs in the devastated construction industry. At the same time it would have helped build urgently needed public facilities. The program would have had quick impact in abating unemployment in the private sector; approved projects were required to be under construction within 90 days.

As a complement to the public works program, HR 5247 would have provided approximately \$1.5 billion in countercyclical assistance to state and local governments with unemployment in excess of 6%. This program would save public sector jobs, avoiding service cutbacks or tax increases.

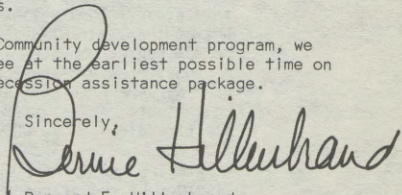
Both bills provide for targeting funds to those areas hardest hit by unemployment. Under the public works provisions of HR 5247, 70 percent of the funds are earmarked for areas whose unemployment rate exceeds the national rate and the balance for areas above 6.5%, but less than the national rate. Countercyclical funds are provided to those state and local governments with unemployment in excess of 6%. Over 500 counties would be eligible for a direct countercyclical entitlement as well as many cities and nearly all of the states. In contrast, S. 2986 would provide the bulk of its funding (75%) for approximately 490 metropolitan cities and 73 urban counties. The balance (25%) would be available to the states for distribution to smaller communities. This approach provides no funding for the states; it simply puts them in an administrative capacity - a role Congress rejected in passing the community development act.

S. 2986 would distribute funds on the basis of unemployment solely. The countercyclical program, however, contains a formula which includes unemployment and tax effort (as defined in the Revenue Sharing Act). Tax effort is included because it is a reflection of the level of services that a government provides. Since the principal purpose of the countercyclical program is to assist state and local governments in maintaining current service levels, the amount of assistance received should reflect the level of services the government provides.

Simply put, the countercyclical program is intended to help maintain the level of essential governmental services during periods of high unemployment and recession. The funding mechanism proposed in S. 2986 is not directed toward maintenance of services, but rather capital improvement activities.

Instead of combatting unemployment through the Community development program, we urge the Congress and the Administration to agree at the earliest possible time on a compromise public works/countercyclical antirecession assistance package.

Sincerely,



Bernard F. Hillenbrand
Executive Director



Serving the Nation's
Housing and Community
Development Needs

2600 Virginia Avenue, Northwest
Suite 404
Washington, D.C. 20037
(202) 333-2020

March 2, 1976

The Honorable William Proxmire, Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
5300, Dirksen Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

On behalf of the membership of NAHRO, I am pleased to forward the following observations and comments with respect to S. 2986, Supplemental Community Development Employment Assistance Act of 1976. This legislation has been developed and is supported by the Administration as an alternative to the recently-vetoed Public Works Employment Act of 1975. As its purposes, S. 2986 intends to generate immediate private sector job opportunities in communities with excessive unemployment by "encouraging and accelerating locally determined community development activities." Given the history of this proposal, as well as its specific provisions, it is our firm belief that initial deliberations on this legislation should focus on the degree to which its objectives are consistent with both national economic and community rebuilding policies. Further, once agreement is reached on national objectives, the bill should be evaluated as to whether its provisions represent the proper way to address these objectives.

Concerning the issue of national policies, we find that the objectives of the proposed bill are confused and in possible conflict with those recently reaffirmed for community development. The primary objective of Title I of the Housing and Community Development Act of 1974 speaks to concerns for "the development of viable urban communities by providing decent housing ... and expanding economic opportunities, principally for persons of low and moderate income." To this objective, localities must certify, as part of their applications, that community development grants are being expended so as to give "maximum feasible priority to

BOARD OF GOVERNORS

IMMEDIATE PAST PRESIDENT

James B. Williams
Executive Director
Oakland, California
Redevelopment Agency

PAST PRESIDENT

Albert A. Wink
President
National Realty Committee
N.Y., New York City

PAST PRESIDENT

Enos J. Kane
Executive Director
Housing Authority of the City
and County of San Francisco

NEW ENGLAND REGIONAL COUNCIL

Robert D. McNulty
Executive Director
The City of Montreal Housing
Authority, Connecticut

WISCONSIN REGIONAL COUNCIL

William H. Macdon
Executive Director
Overseas Housing
Authority

MIDDLE ATLANTIC REGIONAL COUNCIL

M. J. Brodie
Deputy Commissioner
Department of Housing and
Community Development,
City of Baltimore

David Riser
Executive Director
Miami Urban Renewal
Agency

NORTH CENTRAL REGIONAL COUNCIL

Paul G. Lindquist
Director of Rehabilitation
Department of Urban
Renewal
City of Chicago

SOUTHEASTERN REGIONAL COUNCIL

Marvin W. Lee
Assistant Executive Director
Housing Authority
Housing Authority

Reigh Carey
Director, Housing Division
Metropolitan State County
Department of Housing and
Urban Development, Maine

SOUTHWEST REGIONAL COUNCIL

Glenn D. Baker
ACU Project Director
Tulsa Urban Renewal
Agency

Thomas W. Paul
Executive Director
LAND Clearing for
Redevelopment Authority of
St. Joseph, Missouri

PACIFIC SOUTHWEST REGIONAL COUNCIL

Walter L. Scott, Jr.
Deputy Executive Director
Housing Authority of the City
and County of San Francisco

James Heidbrink
Executive Director
Redevelopment Agency of
the City of Tucson

PACIFIC NORTHWEST REGIONAL COUNCIL

Robert Meade
Seattle, Washington

MOUNTAIN PLAINS REGIONAL COUNCIL

Lawrence Sallenger
Director, Urban Renewal
Department
City of Helena, Montana

M. Deany Wall
Director of Legislation
Senator E. J. Gann (Utah)

MEMBERS AT LARGE—1977

Paul D. Chipman
Executive Director
Tulsa Urban Renewal
Agency

Peter DeBake
Executive Director
Housing Authority of the City
of Tacoma

Arthur F. Evans
Executive Director
San Francisco
Redevelopment Agency

D. Bart Fye, Jr.
Executive Director
Portland, Oregon
Redevelopment and
Housing Authority

John H. Jacobs
Executive Director
San Francisco Planning and
Urban Renewal Association

Robert S. Mayer
Director, Division of Housing
State of Delaware

MEMBERS AT LARGE—1976

Marie McGuire Thompson
Washington, D.C.

Michael R. Chowdell
Executive Director
Redevelopment Agency of
San Jose, California

William J. Banning
Executive Director
Miami, City Housing
Authority and Urban
Renewal Agency

Francis W. Gans
Commissioner
Building Department and
Housing Inspection
Department, Boston

Edward R. Nichols
Executive Director
Housing and Redevelopment
Authority of the City of St. Paul

Jack A. Kantor
Commissioner
Housing Authority of the City
of Dallas

Loren G. Mann
Executive Director
Redevelopment Authority of
the City of Hamburg
Pennsylvania

Philip W. Miller
Executive Director
Housing Authority of the City
of Lake Charles, Louisiana

Virginia S. West
Executive Director
Springdale, Arkansas Housing
Authority

National Association of Housing and Redevelopment Officials

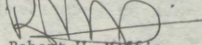
activities which will benefit low-or moderate-income families or aid in the prevention or elimination of slums and blight."

Under the terms of S. 2986, supplementary block grant assistance would be allocated to a selected number of localities for job intensive community development activities, a portion of which need not be eligible under Title I of the 1974 Act. The degree to which these two objectives are consistent with locally-determined community development needs will vary greatly by community according to factors other than solely the extent to which local unemployment exceeds a certain fixed percentage. As national policy, we believe that the objectives of community development should not be expanded upon given the total of available and proposed resources. In the past, city redevelopment programs have been nationally criticized for failing to meet fully prescribed objectives. In our opinion, this has been true only to the extent that program tools and funds were insufficient in relationship to overly grandiose statements of objectives. We are fearful that the proposed broadening of community development goals represents another well-intentioned effort at overpromising.

Beyond this question of compatibility with national and local objectives, we find that there is little rationale to support the linkage proposed in the legislation between the attainment of the stated objective and the utilization of the community development program mechanism. While we wholeheartedly support coordination between national and local employment and development policies, this can be accomplished regardless of the delivery mechanism. In fact, this desirable coordination can be affected simply by a coherent statement of national policy and priority. Further, we must seriously question the degree to which the utilization of the community development program framework will accelerate projects and produce immediate employment. For example, the community development planning process mandates numerous local considerations which may not now be in place and ready for project implementation, such as citizen participation and environmental review. Further, the bills emphasis on funding local projects which can have an immediate employment impact may not be in conformance with a staged locally-developed community development strategy as mandated by the law.

In conclusion, NAHRO cannot support public policy which adds possibly conflicting and short-term objectives to ongoing, developmental programs. While we support national policies designed to facilitate the creation of both public and private sector employment opportunities, such efforts should be linked, rather than absorbed with a program with broader, longer-term goals.

Sincerely,



Robert W. Martin
Executive Director

Public Employee Department AFL-CIO

815 SIXTEENTH STREET, N.W., WASHINGTON, D.C. 20006 • (202) 393-2820-21

WILLIAM H. McCLENNAN
President

OFFICE OF THE
SECRETARY
53

CLYDE M. WEBBER
Treasurer

STATEMENT OF THE PUBLIC EMPLOYEE DEPARTMENT, AFL-CIO

BEFORE THE

SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

ON

THE SUPPLEMENTAL COMMUNITY DEVELOPMENT EMPLOYMENT ASSISTANCE ACT OF 1976
MARCH 22, 1976

This is with reference to S 2986 and expresses views for your consideration and for the record.

Since the Public Employee Department represents twenty-nine national unions representing over two million members in the public sector of the economy, we are deeply disappointed by the President's veto of the Public Works Employment Act of 1975, H.R. 5247.

That legislation would have created at least 600,000 jobs and would have brought immediate benefit to hard-pressed local governments, in a very short time. The suggestion that S 2986 is in any sense "an alternative" proposal defies the facts. The simple criterion of the scope of commitment measures the difference: whereas H.R. 5247 would have authorized \$6 billion, S 2986 proposes an authorization of only \$780 million. In addition the new proposal would become operational only when the national unemployment rate exceeds 7%. Until then there would be no authority for funding.

While we strongly favor funds for community development projects, water and sewer infrastructure or improved housing, only a very limited portion would go to wages. Even then communities would benefit only if their unemployment rate exceeds 8%.

In our view, as desperately as communities need development and employment, enactment of the new proposal, even after the necessary paper-work, would be so minimal as to constitute a misrepresentation if it is portrayed as a serious attack on the problems either of unemployment or of our cities.

What is needed, instead, is a broad establishment of priorities and an effective national mechanism, as envisaged in S 50--H.R. 50 to meet the problem of unemployment and to make real the promised goal of the Employment Act of 1946. We strongly endorse S 50--H.R. 50 and especially sections 202 and 203 of Title II which calls for counter-cyclical employment policies and close coordination with state and local governments as well as private sector economic activity. We strongly support adoption of this Act which would provide "...legislation creating a permanent counter-cyclical grant program that will serve to stabilize state and local budgets during periods of recession and high unemployment."

With respect to state and local governments, here too a serious legislative program is required. The huge cost of welfare, Medicaid and education, borne by states and localities and the recession, which for all practical purposes continues unabated, has resulted in public employment layoffs and cutbacks in vital services. The impaired tax revenues of state and local governments due to the recession, have aggravated and highlighted the basic problems of regressive and inefficient state and local tax programs.

The Congressional Joint Economic Committee has estimated that in 1975 states and localities would;

---enact \$3.6 billion in tax increases;

A

---reduce expenditures for current services by \$3.3 billion (already reflected in public sector layoffs, reduced hours and freezes on hiring and wages); and

---cancel at least \$1 billion worth of capital projects.

Indeed, the Joint Economic Committee estimated that the lost net revenues to state and local governments in early 1975 was running at an annual rate of \$20 billion. That is the combined total of the lost tax revenues due to recession and unemployment and the increased expenditures due to recession and unemployment.

In the early spring of last year a survey taken by an AFL-CIO union showed the severe financial crunch upon the great cities in our country and the layoffs which were either threatened or already accomplished due to this severe financial crunch. The union survey noted the following:

- Detroit, facing a deficit of \$35 million this year and \$100 million next year, sees the possibility of laying off as many as twenty-five percent of its employees - and has already begun discharging workers.
- Buffalo, anticipates a \$23 million deficit unless one-quarter of its employees, 1,600 individuals, are laid off.
- Cleveland, has reduced a projected \$16 million deficit to \$9 million by laying off 1,120 workers - one of the results being trash collection only twice monthly.
- Baltimore, predicts that twenty-five percent of its workers must be laid off to achieve a balanced budget, on top of a job freeze which has been in effect for two years.
- Boston, with seventy percent of its revenue derived from from property tax, faces a \$20 million deficit; this is after a ten percent public employee deduction.
- Newark, projects this year a layoff of 800 workers - a twelve percent property tax increase and \$35 million deficit.
- Atlanta, has employees "donating" one unpaid day each month, with a budget down \$5 million from last year and no hiring since November, 1974.

- Bridgeport, Connecticut, plans a 585 person layoff and faces a \$6 million deficit.
- Memphis, Tennessee, with a \$5.5 million deficit last year, has cut staff in every city department.

So, almost one year ago, layoffs in major cities in the United States were rapidly mounting as a result of the burden of the recession. At that time in April of 1975 the unemployment rate for government wage and salary workers in nonagricultural industries, seasonal adjusted, was 3.7 percent. This was higher than for any other April since the statistical series began back in 1950. During the time period 1950 through 1974 the average unemployment for such government workers in April was only 2.2 percent. Therefore, the April 1975 figure represented a 75 percent increase in the average unemployment rate for April.

Unfortunately, the unemployment rate among government wage and salary workers has continued to rise. In November of last year the rate stood at 4 percent, by December it was up to 4.4 percent where it stood in the most recently available figures for February in 1976.

In addition, in the Economic Report to the President for February 1976, the estimates of lost net revenues to state and local governments due to severe recession has increased from the \$20 billion figure estimated last spring by the JEC to \$27 billion. The need for counter-cyclical assistance for state and local governments to prevent further layoffs of public employees and a further erosion in the quality of public services caused by these layoffs is immediate.

The counter-cyclical assistance offered in the vetoed H.R. 5247 would have contributed immediately to the preservation of the quality of government services at the state and local levels and would have helped prevent impending layoffs of additional government workers in spite of relatively

low allocation of \$1.6 billion for counter-cyclical assistance. The total lack of any such funds earmarked in S 2986 is a fatal weakness in this bill. Not only is the formula of allowing only \$15 million for each one-tenth of one percent of unemployment above 7 percent inadequate, but the allocation of the funds is such that they cannot be used to prevent further layoffs of public sector workers in the financial hard-pressed cities and localities throughout the country.

A serious address to the problems of our communities would be reenactment, despite the President's veto of an accelerated public works bill with \$2.5 billion to help states and localities, a program with emergency counter-cyclical aid to localities with severe unemployment, extension of the Job Opportunities Program and added funds to construction of water treatment facilities.

In addition we hope the Senate will pass the Emergency Employment Project Amendments to CETA, to protect present public service jobs and provide additional employment.

We disagree with President Ford's proposal to shift present welfare and Medicaid costs to the states and localities. Instead these should be financed fully by the federal government.

In addition we urge improvement of Revenue Sharing Act allocation and entitlement formulas to target urban areas most in need and to encourage more equitable and progressive state income taxes. Obviously, labor standards and federal civil rights guarantees should be vigorous components of these actions. Besides this we endorse the idea of a new agency, like the Reconstruction Finance Corporation, to provide government guarantees of state and local bonds, and low-interest, long-term loan guarantees for job-creation in the private sector.

To reiterate, S 2986 does not provide proper funding. Currently with an unemployment rate of 7.6% only \$90 million would be forthcoming for a three-month period under the funding formula of this bill. Even based upon the 8.5 percent unemployment rate for 1975 the bill's formula for funding would provide a total amount of \$225 million per quarter. This in no way substitutes for the vetoed H.R. 5247 which was to infuse into the economy \$6.1 billion. Secondly, the allocations of the funds in S 2986 completely disregard the needs for counter-cyclical assistance directly to the state and local governments to compensate them for the lost net revenues of some \$27 billion caused by the current severe economic recession brought on by the Nixon-Ford economic scheme. Failing to recognize this need will lead to an inevitable increase in layoffs by state and local governments.

We have presented data which shows the massiveness of such layoffs a year ago in the spring of 1975. We have shown that the rate of unemployment among government workers continues to rise in contrast to the national economy's slight improvement over the last few months. Therefore, the need for immediate fiscal relief to prevent the further deterioration of public services caused by additional layoffs is an immediate and urgent need for all state and local governments. The failure of S 2986 to provide such funds is deplorable.

Basic to all of this is a decision to assume, and not reject, the national-federal responsibility to see that all parts of our country return to good economic and social health. Administration rhetoric, media distortion and "easy solutions" will not help. Neither will the minimum measures proposed in S 2986.

STATEMENT OF ANDREW J. BIEMILLER, DIRECTOR, DEPARTMENT OF LEGISLATION,
AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear before you to present the views of the AFL-CIO with regard to the proposed Supplemental Community Development Employment Assistance Act of 1976, S. 2986.

That bill is being offered as an alternative to the Public Works Employment Act of 1975, H.R. 5247, which was vetoed by the President, and the veto was sustained by a three vote margin in the Senate. In his veto message, the President said that at most 250,000 jobs would have been created. He overlooked the fact, however, that 250,000 jobs that would have been directly created as a result of the construction expenditures funded under the bill—which we had estimated—would have a multiplier effect. Another 250,000 jobs would have been created within a year or so as the construction funds paid out for wages and materials created demands for consumer goods.

The President also claimed that most of the employment impact would come in 1977 or 1978. He apparently was unfamiliar with the experience under the 1962 Accelerated Public Works Act. Within 2½ months after funds were appropriated, 1,500 construction projects were approved. In less than nine months, 4,000 projects had been approved. Within one year, 3,600 projects were under construction or completed. Studies have shown that relatively small street, sewer and water and public building projects can be started quickly and result in increased employment.

The President also objected to a requirement that project applications were to be approved automatically unless disapproved within 60 days. He claimed that this would prevent a useful review of the requests and a rational allocation of funds. This attitude overlooks past experience, bespeaks a lack of confidence and know-how and reflects the general Administration policy of timidity, caution and the unemployed can wait while the economy rights itself.

While objecting to the requirement for rapid approval or disapproval of projects, the President also claimed that the proposed public works program would have created a new urban renewal program. It is difficult to think of two more contradictory claims. One of the main characteristics of the urban renewal program was the years that it took for project approval.

Shortly before he vetoed the public works bill, the President made much of the unemployment rate figures which had dropped from 8.3 percent in December to 7.8 percent in January. It is no secret that the statistical quirks of year end changes in seasonal adjustment factors had a good deal to do with this result. As a matter of fact, the President's economic advisers have not changed their projection of an average unemployment rate of 7.7 percent during 1976. We believe this is an intolerable social and economic burden upon the American people. We believe that the veto has damaged the American economy and it will be harder than ever to achieve full employment, full production and a balanced economy.

When President Ford vetoed the Public Works Employment Act of 1975, H.R. 5247, he recommended the adoption of the proposed Supplemental Community Development Employment Assistance Act as an alternative. The proposed alternative, S. 2986, represents a callous political gesture. The situation is summarized by the proposed authorization of \$780 million under S. 2986, compared with the \$6 billion that would have been authorized to create more than 600,000 jobs under H.R. 5247.

The program authorized under S. 2986 would be operative only when the national unemployment rate was in excess of 7 percent. In other words, unless 1 out of every 14 workers is without a job, there would be no authority for funds to be used under S. 2986. When the national unemployment rate is in excess of 7 percent, the amount of funds that could be made available would be \$15 million per quarter, or \$60 million per year for each one-tenth of 1 percent by which the unemployment rate exceeded 7 percent. Each one-tenth of 1 percent represents about 95,000 workers. Under this formula, about \$6,300 per year would be made available for each unemployed person that made up the excess of unemployed over 7 percent. Since the funds made available under S. 2986 would be used for community development projects, such as community facilities, water and sewer facilities, or improvement of housing, a significant part of the funds would be used for materials, equipment and plans. Only part of the \$6,300 per year per added unemployed person would go to wages. Obviously, only a small part of the additional unemployed could find work at a living wage with the funds that would be provided.

The disregard for the suffering of the unemployed is also demonstrated by the eligibility requirement to be met by a community before it could receive assistance funds. Assistance funds could be distributed only to communities which had unemployment rates in excess of 8 percent. If only 1 out of 13 workers in a community

is unemployed, that is not enough; the program is not to be available to help the jobless in that community.

When the President vetoed the Public Works Bill, he said that under S. 2986 the funds would be part of a program that is in place and working well—the Community Development Block Grant Program. That program is definitely not a program for accelerated construction and employment. It is a program intended and designed for elimination of slums and blight, improvement and conservation of the housing stock and more rational use of land and other natural resources. And its activities have to be located so as to benefit primarily families of low- and moderate-income.

Consequently, community development funds are required, by statute, to be used to implement a structured and planned three-year program. Such a program, moreover, must be planned in conjunction with a housing assistance plan designed to meet the housing needs of low-income families who reside or are expected to reside in the community. Community development programs include software public services—such as crime prevention, child care and health care, that are necessary to lend lasting support to the success of the program's hardware construction.

It is a sham and a fraud to claim that acceleration of projects can be incorporated into ongoing community development programs. Furthermore, the Community Development Block Grant program has not been a vehicle for rapid construction of projects and expenditure of funds. Although about two-thirds of fiscal year 1976 has gone by, practically none of the \$2.5 billion appropriated for fiscal year 1976 has been spent; only about 20 percent of the fiscal year 1975 money has been spent. Once the projects already have been planned, and there is a schedule of material deliveries, it is difficult to accelerate construction and employment on such projects.

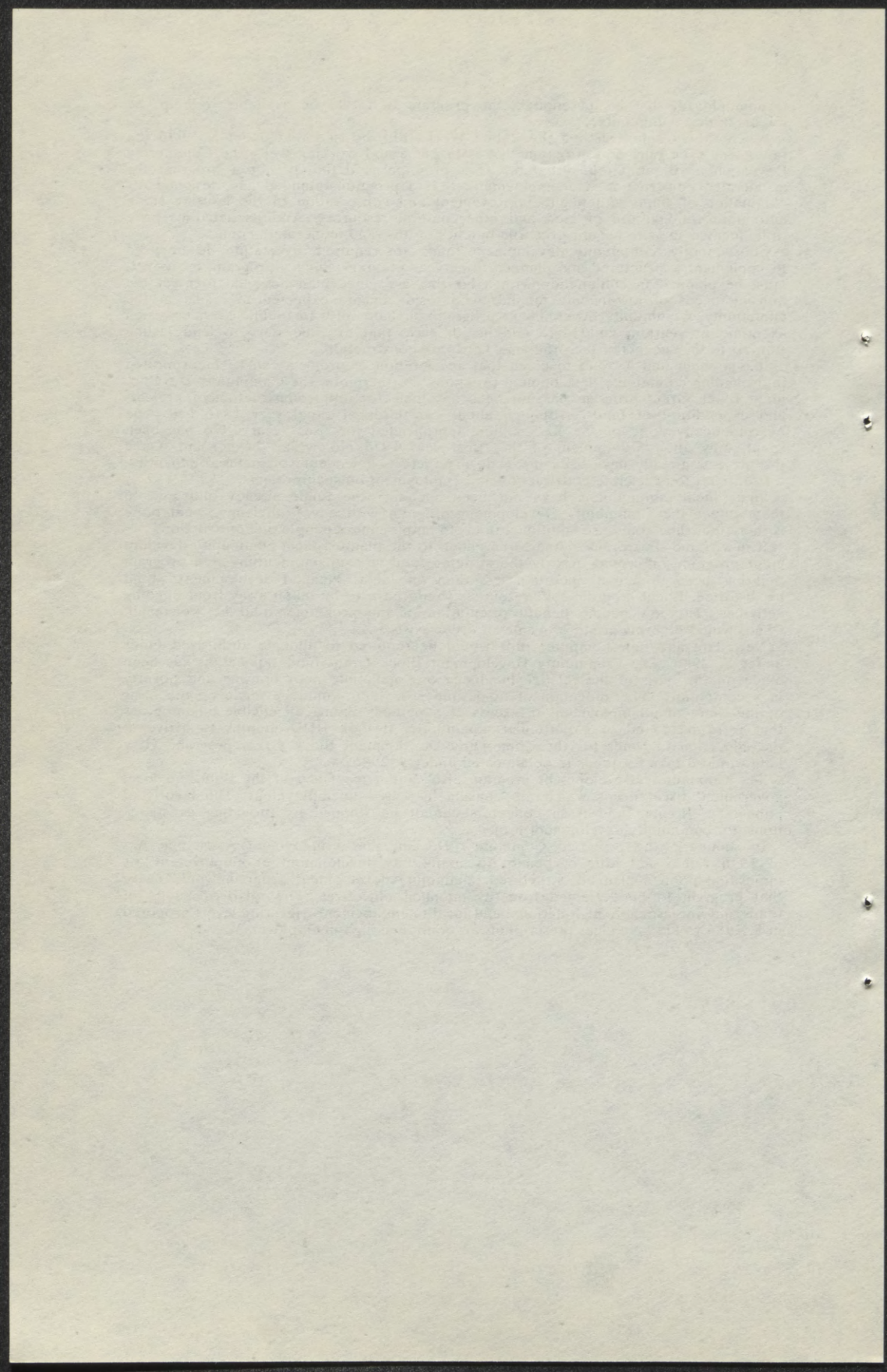
Since local communities have not been spending the funds already allocated to them under the Community Development program with any proficiency, what hope is there that they could use additional funds to employ more people on construction?

If new, rapid-start projects had to be added to the planned local community development programs, it would destroy the structure and start-up momentum of a program that has been in actual operation less than one year. Planned development would be distorted. Local program staff resources would have to be taken away from ongoing activities. The low-income benefit orientation of the program would be weakened. Chaos would be brought out of whatever order exists.

New data and new computer runs would be required to allocate authorized funds under S. 2986. The Community Development Block Grant funds allocation has been made on the basis of the relative incidence of population, poor housing and poverty in a community. The allocation of funds under S. 2986 would be made on the basis of the share of unemployment in excess of 8 percent among all eligible communities that is to be found in a particular community. It took HUD months to arrive at the allocation of funds for the Community Development Block Grant program. How long would it take for funds to be allocated under S. 2986?

The Community Development program also cannot meet any of the state and local government fiscal needs which are causing increased unemployment. The layoffs of policemen, firemen and trash collectors cannot be stopped by providing assistance funds for community development projects.

In summary, the proposed Community Development Employment Assistance Act of 1976 would add little of benefit to community development or employment. Its imposition upon a planned, structured community development program would cause that program to be detracted from its intended objectives. The relative paucity of funds and unreasonably high national and local unemployment triggering levels proposed in S. 2986 would be a clear prescription for continued high unemployment.



SUPPLEMENTAL COMMUNITY DEVELOPMENT EMPLOYMENT ASSISTANCE ACT OF 1976

WEDNESDAY, MARCH 3, 1976

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
Washington, D.C.

The committee met at 3:10 p.m. in room 5302 of the Dirksen Senate Office Building; Senator William Proxmire, chairman of the committee, presiding.

Present: Senators Proxmire, Stevenson, Tower, Helms and Garn.

The CHAIRMAN. The committee will come to order.

This afternoon we are honored to hear the Secretary of Housing and Urban Development appear on bill No. S. 2986, which has been introduced by Senators Tower and Griffin, and in the House by Gary Brown.

Yesterday, we heard from the authors of the legislation, and they made a very strong case for it. There was also Dr. Nathan of Brookings who appeared, and while he did endorse the bill, he made one or two disturbing observations on it.

He said he thought this was good legislation for the next recession. He seemed to feel that this would not be timely now, because by the time that it could get in effect in a substantial way, he felt the recession would be over, and as unemployment goes down, of course the bill makes less money available. I think most of the people assume perhaps wrongly in view of Mr. Nathan's observations that this legislation would be timely legislation for the current recession.

So that did disturb us. The other aspect of the legislation that is a problem is whether or not this money would in fact be substantially expended to provide jobs, in view of the fact that there has been some \$2½ billion already available in the community development program, and less than \$500 million has been expended to date.

We realize that this bill does provide for a freer use of the money, and some of it could be used for public projects that wouldn't be eligible under the community development funding.

So with that concern in mind, we would be delighted to hear from Secretary Hills.

STATEMENT OF CARLA A. HILLS, SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Secretary HILLS. Thank you, Mr. Chairman and members of the committee.

I believe my statement was delivered to the committee today, and I do not know whether you have had an opportunity to read it. It is relatively short. I would be delighted to read it, at your pleasure, or to proceed directly to questions.

The CHAIRMAN. Well, is the first part on the bill? Why don't you skip through the first part and go to page 5, where you summarize and give us that part of it?

Secretary HILLS. Fine.

We believe that S. 2986 puts the money where the need is. Those communities with the highest unemployment get the assistance, which is a principle that I support. There are technical concerns about the bill that I would like to call to your attention.

First, Section 119(b)(2)(A) appears to require the Secretary to make a subjective determination as to whether the units of general local government in the State, other than metropolitan cities and urban counties, "are experiencing serious fiscal problems . . . which are the result of adverse economic conditons."

We question whether it would be useful to impose such a test on top of the objective formula prescribed for State allocations. Accordingly, we would suggest that the provision be modified so that allocations to States will be made solely on the basis of the objective formula based on unemployment in the nonmetropolitan areas of States.

Second, we believe that the broad waiver authority in proposed Section 119(e) should be clarified to specify what provisions of title I of the 1974 Act Congress believes the Secretary should have authority to waive in approving grants under this program.

For example, the authority to waive provisions of this bill or title I might well be limited to application requirements based upon the Secretary's determination that the waiver is necessary to assure achievement of the statutory objectives. I would have serious questions as to whether the waiver provision should apply, for example, to the application of other Federal laws. Waivers should be available either upon certification and request by the applicant or at the insistence of the Secretary.

In regard to the waiver of title I eligible activity requirements, which is referred to in Section 119(e), following, the proposal allows the Secretary to fund activities which might not be eligible under the community development block grant program, but which would have an immediate effect on private sector employment.

The process of deciding this issue on a case-by-case basis might well delay and complicate the program's administration. Accordingly, I suggest amending 119(d) to allow the use of supplemental funds for any physical development activities which are (1) consistent with the needs and objectives stated in the applicant's community development plan, and (2) will have an impact upon local unemployment by creating private sector jobs.

The Department will be pleased to work with the committee to resolve these and any other problems with the bill, which we believe represents an important effort to address the needs of communities suffering with especially high unemployment.

I am happy to answer any of your questions.

[The complete statement follows:]

STATEMENT OF

THE HONORABLE CARLA A. HILLS

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Mr. Chairman and Members of the Committee:

I am pleased to appear before you today to discuss S.2986, the proposed Supplemental Community Development Employment Assistance Act of 1976, recently introduced by Senator Griffin.

I am hopeful that this legislation can provide the basis for cooperation between Congress and the Administration to improve economic conditions in communities where unemployment remains high despite the general economic up-turn now underway.

This legislation seeks to stimulate the economies of communities with the highest rates of unemployment through job-creating community development activities -- and to do so quickly, efficiently, with a minimum of Federal red tape.

The general economic recovery which commenced last Spring is already aiding many State and local governments to solve their economic problems, but there are still communities suffering from the effects of recession.

These communities need to reverse the erosion of their economic bases. The solution to their problems does not lie in a temporary influx of Federal dollars to meet local payrolls.

The bill which is before you can provide direct relief in the form of jobs which can be made quickly available in the areas of highest joblessness while offering some prospect that the jobs created will be used to improve the long-term economic base of the community.

The legislation distributes funds on the basis of objective unemployment statistics and thus concentrates the assistance in areas where the unemployment rates are highest.

The proposed program is truly counter-cyclical; its funding level is determined by the extent to which the national unemployment rate exceeds 7 percent with respect to a given calendar quarter.

The program would be activated only when the national unemployment rate is over 7 percent, and \$15 million per quarter would be available for each .1 percent by which unemployment exceeds 7 percent. Thus using last quarter's rate of unemployment which was 8.5 percent (1.5 percent above 7 percent), funds would be provided in the amount of \$225 million per quarter, starting with the second quarter of this year.

Cities with unemployment over 8 percent would receive funds from the quarter's \$225 million funding in direct proportion to their share of the total number of persons unemployed above 8 percent. If the national unemployment rate falls to 8.0 percent in the first quarter of 1976, the funds allocated would be reduced to \$150 million per quarter, starting with the third quarter.

Twenty-five percent of the funds would be distributed to States with unemployment over 8 percent to use in areas outside cities of 50,000.

Virtually all major urban centers, which are likely to be eligible for assistance under the proposed program, are participating in the Community Development Block Grant program under the Housing and Community Development Act of 1974. The basic block grant program requires recipients to develop a comprehensive three-year community development plan and to submit an annual application for funds, which is reviewed by HUD. In addition, each of these recipients already has an on-going planning and management structure to operate its community development program.

Under S.2986, communities would be notified each quarter of their eligibility for their share of supplemental assistance. To receive funds, communities would submit a brief application outlining the proposed job-intensive uses, particularly in terms of accelerating planned projects or reducing unemployment through the creation of private sector jobs. HUD would be required to process such applications within 30 days.

Upon approval, the supplemental grants would flow into communities' on-going community development programs. Communities would report the actual use of their funds in their next annual community development application and performance report. Federal audit and monitoring of grant expenditures would be part of HUD's routine administration of the Community Development Block Grant program.

Using the community development program as a base has several advantages:

First, its allocation formula avoids grantsmanship and hastily-drawn proposals in search of discretionary funding.

Second, its use of existing Federal and local administrative structures with on-going relationships already established avoids the creation of costly new bureaucracies.

Third, in building upon an existing program, it minimizes start-up time and increases the recipient's capacity to absorb and use its incremental funding quickly.

Fourth, its focus on long-term economic problems builds upon the long-range investment that communities are already making with community development funds.

Fifth, its automatic phase-out with improved conditions preserves the temporary character of the program and avoids the attending problem of dismantling administrative structures which often occurs when Federal funds are discontinued.

Sixth, it requires communities to propose activities which they could reasonably expect to complete with available resources, so that additional strains are not placed on local budgets when these supplemental funds are reduced.

Seventh, it takes advantage of the block grant program strengths, avoiding the mistakes of categorical programs in that it allows recipients broad discretion in setting local priorities and makes them responsible for carefully assessing competing potential uses for their Federal funds.

Based on our experience with the block grant program, we can anticipate that a high percentage of funds would be spent on activities which provide jobs in the private sector. Seventy percent of the jobs generated by Community Development Block Grants were in the private sector because many participating communities contracted with private firms to carry out community development projects.

In summary, S.2986 puts the money where the need is -- those communities with the highest unemployment -- which is a principle I enthusiastically support. However, there are certain technical concerns about the bill as presently written some of which I would like to review very briefly at this time.

First, proposed Section 119(b)(2)(A) appears to require the Secretary to make a subjective determination as to whether the units of general local government in a state, other than metropolitan cities and urban counties, "are experiencing . . . serious fiscal problems . . . which are the result of adverse economic conditions." We question whether it would be useful to impose such a test on top of the objective formula prescribed for State allocations. Accordingly, we would suggest that the provision be modified so that allocations to States will be made solely on the basis of an objective formula based on unemployment in the non-metropolitan areas of States.

Second, we believe the broad waiver authority in proposed Section 119(e) should be clarified to specify what provisions of Title I of the 1974 Act Congress believes the Secretary should have authority to waive in approving grants under this program.

For example, the authority to waive provisions of this bill or Title I might well be limited to application requirements, based upon the Secretary's determination that the waiver is necessary to assure achievement of the statutory objectives. I would have serious questions as to whether the waiver provision should apply, for example, to the application of other Federal laws. Waivers should be available either upon certification and request by the applicant or at the instance of the Secretary.

In regard to the waiver of Title I eligible activity requirements, the proposal allows the Secretary to fund activities which might not be eligible under the Community Development Block Grant program but which would have an immediate impact upon private sector employment. The process of deciding this issue on a case-by-case basis might well delay and complicate the program's administration. Accordingly, I suggest amending Section 119(d) to allow the use of supplemental funds for any physical development activities which are (1) consistent with the needs and objectives stated in the applicant's community development plan and (2) will have an impact upon local unemployment by creating private sector jobs.

The Department will be pleased to work with the Committee to resolve these and any other problems in this bill, which we believe represents an important effort to address the needs of communities suffering especially high unemployment.

I will be happy to answer any questions which the Committee may have.

The CHAIRMAN. As I indicated in my statement before you started, Madam Secretary, I am concerned with several aspects of this legislation on the basis of the testimony we have had to date. And a number of groups have expressed some skepticism about the timing and the effectiveness that these funds would have in actually providing jobs.

What kind of use are communities making of their block grant funds? Do you know what occupations, for example, are being employed, and how much employment has been generated in each category?

Secretary HILLS. About 70 percent of the moneys are being spent in the private sector. About 66 percent of the moneys disbursed in our one year experience are for preservation of the housing stock, restoration, elimination of slums, the kinds of activities where you would anticipate getting jobs from the private sector.

The CHAIRMAN. Well, how much of that represents employment in the construction industry, for example?

Secretary HILLS. I would think a substantial proportion, by reason of my description. We are talking about water and sewer construction, streets, street lights, curbing, rehabilitation of housing stock, that sort of activity necessarily falls within the construction arena, very frequently through the private sector. I feel comfortable in giving you the percentage of 70 percent through the private sector, which is construction.

The CHAIRMAN. That includes the materials, I presume, that are purchased to be used?

Secretary HILLS. The funding, of course, includes the materials. We generally figure that of the community development funding, 80 percent is job-oriented.

The CHAIRMAN. Can you estimate the leadtime which will be required to bring various grant application projects to the point of creating new jobs?

Secretary HILLS. If you passed the bill today, we would anticipate around 60 days to get the regulations and necessary procedures in place. It would take an additional 30 days to process the applications, so I think the communities would have access to the funds within 90 days.

The CHAIRMAN. How about the fundamental problem that the communities already have substantial funds under the basic legislation? They have the money in the bank, \$2½ billion of funds, and they have expended so far less than \$500 million. Why would this additional money result in more prompt employment?

Secretary HILLS. The drawdown to date has greatly accelerated. The graph is going up in a very rapid fashion. This first year has been utilized greatly for planning activities. Those are now largely complete, in effect, there are already plans on the shelf that can be used. If the communities knew they had additional funding, they would be able to use that funding relatively quickly to carry out aspects of their community development plans.

Under the block grant program, the communities file a 3-year plan, during which time they are assured of a stable level of funding. If they are entitled, by reason of their economic condition brought on by the recession, to additional funds under this legislation, they could move rapidly ahead to carry out those plans.

So I think that the delay to date has been the result of their initial lack of familiarity with the community development block grant program that is in place, and the start-up time required to gear up for any such new program.

The CHAIRMAN. I am wondering if that 90 days would indicate—I am told the plans that the communities submit with their applications are extremely general, they focus mainly on the communities' general intentions for development, rather than on the detailed planning of specific projects.

I understand in most cases the community waits for HUD to approve an application before it undertakes any real plans for architectural design, for example, or goes through the requirement for citizens' participation and environmental clearance.

If this is true, how could you really put this into effect in 90 days, from the standpoint of being able to actually hire people and put them to work?

Secretary HILLS. I would dispute the assertion that the programs are being delayed pending the approval by HUD of a community's plan. The plans are filed on a 3-year basis, and the programs are developed pursuant to that plan.

Of course, the programs are more detailed, and that is the intent of the legislation. It is not for us to mandate how they would carry out their community development plans.

But at this point those plans have been approved, and many of the programs have already been through the A-95 clearance and have already been cleared from an environmental standpoint, so they are ready to do.

We believe that under the plans that have been filed by the majority of communities, there are programs that could go forward promptly.

The CHAIRMAN. I am sure there are some, but the argument has been made that much of the community development money already drawn down was spent quickly, because it continued existing programs, such as urban renewal. Is there a possibility that these early uses of the funds will die down and there would be a lag before new program use could be developed?

Secretary HILLS. I think not at all. With regard to urban renewal, there has actually been a shift of emphasis and priority by the communities toward more restoration and rehabilitation of existing stock and preservation in the elimination of blight, rather than the clearance approach which was more common under urban renewal.

They have shifted priorities to local needs, and I think that they would go forward with those plans.

The CHAIRMAN. Could you for the record give us a breakdown of the use of CD funds so far, so that we will know how much on urban renewal, how much in the various other programs, and can make a judgment of where this money would be likely to be spent based on the experience to date?

Secretary HILLS. Yes, I would be happy to do that. I can tell you now that 67 percent of the funds have been for restoration, rehabilitation and preservation. That includes public works involving construction through the private sector. We have made a computation

that 70 percent of the funds so far have gone into the construction arena.

[The Department submitted the following information for the record:]

PROPOSED USE OF FUNDING BY MAJOR ACTIVITY ^{a/}

<u>ACTIVITY</u>	<u>PERCENT OF FUNDS</u>	<u>AMOUNT</u> ^{b/} (Dollars in Thousands)
Acquisition of real property.....	12.0	\$251,520
Public works, facilities, site improvements.....	34.3	720,732
Code Enforcement	1.5	31,813
Clearance, Demolition, Rehabilitation	5.0	104,408
Rehabilitation loans and grants.....	9.1	191,831
Special projects for elderly and handicapped.....	.7	13,819
Payments for loss of rental income.....	*	277
Disposition of real property.....	.1	2,883
Provision of public services.....	3.1	65,122
Payment of non-federal shares.....	1.7	35,608
Completion of urban renewal projects....	7.4	156,111
Relocation payments and assistance.....	4.0	84,969
Planning and management development....	4.1	86,204
Administration.....	6.9	145,025
Continuation of model cities activities.	5.3	110,352
Contingencies and/or local option activities.....	<u>4.8</u>	<u>98,878</u>
Totals.....	100.0	2,099,552

*LESS THAN .5%

a/ Based on 2,865 entitlement and discretionary applications approved for funding as of February 15, 1976.

b/ Includes 1975 funding as well as a portion of the 1976 program.

Senator TOWER. May I ask a question, Mr. Chairman?

What is your definition of urban renewal? Do you include restoration?

Secretary HILLS. No, urban renewal—

The CHAIRMAN. I wasn't thinking of it that narrowly. I thought of urban renewal in terms of the larger projects.

Secretary HILLS. We think of urban renewal in terms of the former categorical program, which enables a community to clear a blighted area and construct new dwellings or other improvements pursuant to their plan.

I have a survey of the highest priority needs that have been identified by a sample of 880 entitlement cities. 26 percent of this sample, listed their highest priority as the improvement or expansion of housing stock, 19 percent listed community facilities, 15 percent listed water and sewer activities, 10 percent listed elimination of slums and blight, 10 percent listed economic development, 5 percent listed street construction and repair, and 4 percent listed revitalization of their central business districts.

The CHAIRMAN. That is very helpful.

Secretary HILLS. Out of a sample of 36 urban counties, or about half of the 73 who were applicants receiving funds last year, 29 percent listed construction and improvements of water and sewer and other public facilities as their highest priority for the use of CD grant funds, 28 percent listed improvement or expansion of housing stock, 9 percent listed the provision of parks, recreation areas and open space, and 8 percent listed the elimination of slums and blight.

The CHAIRMAN. Congressman Brown told us yesterday that on the basis of your estimates that the cost per job of this program would be between \$10,000 and \$12,000. If that is your estimate, on what do you base it?

Secretary HILLS. The estimate that 63,000 jobs would be created by S. 2986 is based on a survey of the CDBG plans in a sample of high-unemployment cities. The jobs which would be created for each activity in those plans have been calculated on the basis of a Bureau of Labor Statistics publication, the Factbook for Estimating the Manpower Needs of Federal Programs; job creation figures for each activity are then adjusted for inflation and for productivity increases, as recommended in the Factbook.

Any figures are necessarily imprecise, since the number of jobs depends on the precise use of the funds that would be provided by this bill, which is not known at present. In addition, the 25 percent discretionary authority could be used for a wide variety of other activities beyond the CDBG categories. For the purposes of this estimate, however, we have assumed that the same number of jobs would be created as if all funds were used for CDBG activities. For example, assuming that the 25 percent discretionary funds are divided between labor and other expenses in the typical proportion of 80 percent for labor, 20 percent for non-labor, with each worker earning \$10,000, and that all CDBG categories are reduced proportionately, the number of jobs created would again be 63,000. The 80 percent split is based on the actual expenditure patterns of local governments, as reported in the 1972 County and City Data Book.

The CHAIRMAN. How do you defend that kind of methodology if it differs from the President's charge that the bill he vetoed would have cost about twice that much per job? He said \$20,000 or \$24,000 a job. Are you familiar with that?

Secretary HILLS. I am very familiar with the veto message, and the statement that the jobs there created would cost more than \$20,000 apiece. I think in addition, he objected to the proposed legislation because of its lack of timeliness.

The CHAIRMAN. Yes, but I am concentrating for purposes of this question on his estimate. Why was that estimate so much more expensive per job? Why would this be so much more efficient? How would you get twice as many jobs in this program as in the other program?

Secretary HILLS. We are looking at different activities. And all of the dollars in that bill—you will recall there were three titles—did not go into jobs. It included a public works bill, a public service jobs bill, and a bill that had a component for urban renewal and various other activities.

The CHAIRMAN. Yesterday we had a highly competent economist, Dr. Nathan of Brookings, who argues that, in his view, if we spent a certain amount of money, he was not persuaded that one means would be more efficient, get more jobs, than another.

If you spend a billion dollars, you will get a certain number of jobs, is his argument, and it wouldn't vary a great deal; it might vary some, the timing might be different, but it wouldn't be anything like that 2 to 1 ratio. All of the money we provided in the bill that was vetoed presumably would have gone out into the economy, and the public works money would have been spent on the unemployment as well as the rest of the funds.

Secretary HILLS. All of the money would have gone out into the economy. I cannot say to you that I have an analysis that would verify that the ratio would be approximately the same.

Indeed, my analysis is somewhat to the contrary. But that bill is not before us, and I suppose that the real—

The CHAIRMAN. That's right. As a matter of fact, I voted against that bill and sustained the veto.

But the reason I asked that is because there has always been a lot of skepticism about this estimate of how much this costs per job. I just wondered how carefully we can pin down the cost. My time is up.

Senator Tower.

Secretary HILLS. If I may, Mr. Chairman I should state to you that our economist feels that the difference between the vetoed bill and S. 2986 is that because the former involves the categorical, rather than the flexible block grant approach, it is more capital intensive than labor intensive, and that accounts for the difference when you break down its impact into creation of jobs.

The CHAIRMAN. I will come back to that.

Senator Tower.

Senator TOWER. One thing occurs to me that would reduce the per job cost would be that you are using an existing block grant system, rather than building on more bureaucracy. Would that be part of the savings there?

Secretary HILLS. It certainly is a saving in not creating separate bureaucracies at both the local level and the Federal level, which has a number of advantages, including a savings in cost. I cannot tell you that I think that accounts for the entire differential, however. But this approach through the block grant is clearly labor intensive.

We know that we can count on 70 percent of those funds flowing into construction activities or similar to those I read to you, mostly through the private sector.

Senator TOWER. Going back to Mr. Nathan's statement that this was good legislation for the next recession, but not for this one because of the leadtime involved, actually the leadtime involved in this is very short compared to what it would have been in the bill the President vetoed, is that not right?

Secretary HILLS. Much, much shorter, yes.

Senator TOWER. Have you done any studies, or has the Department contracted for any studies, that evaluate the effectiveness of the CD block grant delivery system? Because that program, of course, hinges on the effectiveness of that system?

Secretary HILLS. Our first year study would indicate considerable efficiency in the delivery of funds, when you look at the mechanism by which the funding is distributed. There is virtually a minimum of red tape. The applications are short in numbers of pages; the regulations are short in numbers of pages. The comparable figures are 50 pages of regulations for CDBG versus 2600 pages in HUD handbooks under the old categorical programs.

That it is extremely efficient and eases rapid disbursements. There has not been as rapid a draw-down as some people may have hoped for, but we have to keep in mind that the program has been on a very short turnaround. We are still in the first phase. We have not been through a full 12 months with half of the applicants. Many have only been involved for a fraction of the year, as the applications come in at different points in time.

So we think the delivery of the funds is extremely efficient. We are getting an ever-increasing draw down: the prognosis is now about \$100 million a month. We think we will have filled the pipeline very readily so that the funds will be disbursed in short order from here on out.

Senator TOWER. There was some concern expressed yesterday about the slowness of the draw-down. That is accelerating now?

Secretary HILLS. Yes, it is. We have had nearly a sevenfold increase, for example, between June of 1975 and December of 1975.

Senator TOWER. You estimate then that from the time of passage of the bill to the time that actually the money would be in the pipeline, on its way there, would be about 60 days?

Secretary HILLS. Yes. We think we would be ready to process in 60 days; and that the communities would have the rest of the funds in 30 more days; so in 90 days it would have an impact.

Senator TOWER. In other words, 90 days, compared to 6 to 9 months in the bill that was vetoed?

Secretary HILLS. Yes. The analysis I saw of the vetoed bill indicated the impact would be in late 1977 and early 1978. So it is considerably shorter than that bill.

Senator TOWER. Looking at our current economic prognosis, I am convinced we certainly didn't need the bill the President vetoed, and I want to raise the question do we really need this one? Do we need to prime the pump right now?

Secretary HILLS. This bill is not merely aimed at priming the pump. It is a measure that will give target assistance to those communities which are in great need. Looking across the nation, we can see East St. Louis, with 18 percent; Pontiac, Mich., with 30 percent; Niagara Falls, N.Y., 18 percent; Laredo, Tex., with 20 percent unemployment. These communities are far behind the national average in economic recovery.

This bill offers them an opportunity to catch up. I think that that is important. These urban centers have been badly hit by the recession.

Senator TOWER. Well, of course, one point to be made is that Laredo, for example, is a town of chronic unemployment. Not all of the cities you mentioned are cities of chronic unemployment, are they, but rather cyclical unemployment?

Secretary HILLS. We have a number of cities which have both high chronic unemployment and high cyclical unemployment, and have been very badly hurt by the recession. Whether you want to put Laredo, Tex., in that category, or Newark with its level of 16.2 percent, or others—

Senator TOWER. No. That's just my state, but in the central part of the country this is not always true.

Secretary HILLS. I agree. I think the problems are often different.

Senator TOWER. Are you satisfied the triggering mechanism in this bill is such that actually the money will only go to areas of genuine need?

Secretary HILLS. Yes, I think the triggering mechanism is reasonable. I would not argue that 7 percent is essential as opposed to 6.9 or 7.1. I look at this bill as an emergency measure. It is to assist those cities that are badly hurting, and I think those percentages describe a situation where those that would receive funds are badly hurting. So I think it is a reasonable triggering mechanism.

Senator TOWER. Thank you, Madam Secretary.

The CHAIRMAN. Senator Helms.

Senator HELMS. No questions.

The CHAIRMAN. Madam Secretary, it was pointed out yesterday by Dr. Nathan that Laredo, Texas is a community that under this bill would be able to provide half of its budget in this emergency application. He suggested there should be a limit on the amount you could provide to any one town related to its eligibility for regular community development funds.

How do you feel about that?

Secretary HILLS. I think that is something that our staffs might work together in addressing. As I think Senator Tower pointed out, Laredo may be unique. Most of the communities I have reviewed that have unemployment of over 12 percent—and almost everyone on this committee has one in his jurisdiction—are badly hurt by the recession, although I do not believe you have one in your own State, Mr. Chairman.

The CHAIRMAN. We have one awfully close, Superior, Wisconsin.

Secretary HILLS. Yes, but the level I am referring to is 12 percent and above.

The CHAIRMAN. One is about 12.10 now, I believe.

Secretary HILLS. Those I would not necessarily put in Dr. Nathan's category with Laredo, Tex. I think—but we could work together to try to screen out unrealistically high funding levels. I think the more restrictions you have, however the less able you are to have the funds flow rapidly and directly to the areas of greatest need.

The CHAIRMAN. I have before me several communities' development applications. Out of a total of \$13.4 million only about \$6 million would be classed as job-incentive; that is less than one-half of the grant.

Now, things like acquisition of property, planning and management and administration, for example, add up to as much as the capital intensive do. What evidence do you have that under this program the capital intensive areas would be the ones that would get the money?

Secretary HILLS. Our year-end analysis shows—

The CHAIRMAN. I mean labor intensive, I beg your pardon; I meant labor intensive.

Secretary HILLS. Our year-end analysis shows that communities are building capital facilities, including rehabilitated housing, with these funds. But they are using labor to do it. Capital facilities require labor to construct them. If you are going to build a road, you need people to build it.

My recollection is that the administrative expenses averaged about 7 or 8 percent, and the acquisition of land, as I have just read to you, was not even in the top six categories. But obviously, if you are going to eliminate slums and blight, you will have some acquisition of land. That is going to be a component part of it. But I can tell you that 70 percent of the funds in the first year went for what we would call labor intensive activities.

The CHAIRMAN. Have you determined how many block grants recipient communities today would be eligible to receive these supplemental funds under the formula in this bill?

Secretary HILLS. About 320 metropolitan cities in 40 States would receive direct grants, now, working from those Bureau of Labor statistics. In addition, of course, funds would be made available to States for non-metro areas. In all, 44 or the 50 States would receive some funding under the program if it were enacted today.

The CHAIRMAN. Now, in your statement, you have asked for some discretionary authority, and clarification of Section 119(E), which gives you the power to weigh various requirements in order to expedite the programs. What is your view of the kinds of requirements that you should be authorized to waive? Would they include the provisions of the community development program for citizen participation and environmental reviews, for example?

Secretary HILLS. I think the waiver authority is another aspect that our staffs might address. Citizen participation is probably an area where there could be a broad waiver. The component parts of the localities CD plan are already on file and citizen participation already has been undertaken.

I do think that the waiver needs greater clarity, however, so that we are not required to make constant analyses on a case by case basis. For example, rather than having to waive the requirement of

subsection (d) that any proposed activity be eligible for assistance under 105 (a) of title I of the HCD act, we would rather have a clarification that makes eligible any physical development activity that is consistent with the community development plan. That would make the description of what is or what is not eligible very clear; we could have a narrower waiver provision; and we would not have to address all of these eligibility issues on a case by case basis. Otherwise, we can anticipate there will be innumerable requests for waivers.

The CHAIRMAN. Perhaps we could have the staffs work that out, so we are sure we know what we are providing. You also asked for clarification of your authority to allow 25 percent of the supplemental funds for activities not allowed under the basic community development program. Your suggested language is still pretty general. Can you give us an idea of the kind of activities, which you think should be permitted under this 25 percent discretionary authority that are not permitted now?

Secretary HILLS. If we had the clarification that I suggested to you, so that any physical development activities covered by the community development plan were eligible, then the 25 percent automatic waiver provision could go beyond that. It would allow, for example, new housing construction. It could cover buildings for general governmental purposes, such as jails, stadiums, community-wide facilities, because these uses would only have to be consistent with the objectives of the title.

And you also could fund public service jobs. I understand that the mayors have indicated some concern that they need additional revenues for police and fire services in some of these communities.

The CHAIRMAN. That is what I thought was the principal use for this discretion, but I am glad you brought it out that this is not the only use of it.

Secretary HILLS. Not at all.

The CHAIRMAN. One of the problems involved here was the absence of what we do have, I think wisely, in the revenue-sharing bill, although I opposed revenue-sharing too; but it does have a provision in revenue-sharing that does put some emphasis on tax effort.

One of the criticisms that Dr. Nathan made yesterday was that that is not reflected in this legislation, and there should be some premium on the effort the community is making to raise taxes itself.

Secretary HILLS. It is a difficult line to draw, Mr. Chairman. I think one of the unfortunate aspects of the vetoed bill was that it geared a disbursement of funds to the rate of local taxes collected, which really rewards expenditure and may reward a spendthrift community. I am not sure that you would not have to work very hard to get a mechanism to reflect the local tax effort that would not be counter-productive.

But again, that is an area where we can work together.

I think that a simplified distribution formula, a very clear eligibility rule plus an exception for the use of a portion of the funds that would be broader than the regular uses would be the best overall approach.

The CHAIRMAN. Before I yield to Senator Stevenson, let me just ask one question, related to this. Is it your understanding that use

of the funds under this bill are mandatory, triggered by the formula, or would HUD have the authority not to spend the funds?

Secretary HILLS. As I recall the provisions of the bill, non-disapproval within 30 days for communities, and 45 days for States would mean mandatory approval, so I think the funds would then automatically flow.

The CHAIRMAN. So, you would have to expend them?

Secretary HILLS. Yes.

Senator TOWER. Could I follow up on that, Mr. Chairman?

Were you suggesting, in your answer to the previous question of the chairman, that the formula should not just have the sole criterion of a high unemployment rate, but there should be other criteria, such as tax base or population or anything else?

Secretary HILLS. No, I was not suggesting that. I was expressing a willingness to have our staffs work together on that component part. I do believe that to have a tax base component part raises very serious problems, by providing an incentive toward local government expenditures. One of the advantages of this bill is that it would give benefits directly in proportion to those people unemployed over eight percent. In this way you are giving assistance where the need is the greatest, where the unemployment is the highest, without making the formula fuzzy by saying: "and, in addition, your community must be engaging in great and high expenditures." That seems to me to be counter-productive, because that might induce spending by the very communities that may well be better advised to be on an austerity program.

The CHAIRMAN. Of course, the other side of that is that communities that are making a real all-out effort to provide employment, at considerable burden and sacrifice for these taxpayers, thereby reducing their unemployment in the process, would be handicapped.

Secretary HILLS. If they really have high unemployment, 10 or 15 percent unemployment, they will benefit on a pro rata share, depending on the number of people unemployed over eight percent.

The CHAIRMAN. If they are making an effort to reduce it, and are successful, if one community has high unemployment and does nothing about it, doesn't try to put the people to work by imposing a higher property tax and raising the money to provide work for its people, and another community does make that effort, the assistance would be to the community that is not making the effort to put people to work.

Secretary HILLS. I suspect that the best remedy for the community that is not making an effort is at the ballot box in the local community. We would be well-advised to disburse the assistance where there is unemployment, which is a simple formula and has no artificial incentives toward phony expenditures. That is how I come out in analyzing this bill and S. 5247, which was vetoed.

The CHAIRMAN. Senator Stevenson.

Senator STEVENSON. As I understand it, this supplementary assistance cuts in with the national unemployment rate of 7 percent, which of course means that Detroit or East St. Louis with an unemployment rate of 15 percent as commonly defined or, in fact, closer to 20 percent, gets no assistance until the national rate goes up beyond 7 percent.

Secretary HILLS. Above which it now is, and where the prognosis is it will be throughout this year, unfortunately so.

Senator STEVENSON. Yes, it will stay at about 7 percent. Why wouldn't it be more sensible if the purpose is either jobs or developments or both, to gear this supplementary assistance on a less temporary basis to the areas of need, the communities themselves, providing in the end more continuity of funding, probably, for those that have high unemployment rates, and, as well, funding in the areas of greatest need?

Why tie it with the national rate? Why not tie it to the rates of unemployment in these communities?

Secretary HILLS. Because it is envisioned as a national emergency measure. We have just been through 20 months of a severe economic dislocation, and this is a remedy for those which are not coming back as rapidly as they might. It is not a measure to permanently subsidize communities which for whatever reason may have unemployment problems. I think if we were to do so, we ought to analyze what we mean by "whatever reason." This is a measure which will turn on when the national unemployment is as high as it is. And it is regretfully high. This is to remedy that situation, and what you are speaking of is far more pervasive.

Senator STEVENSON. Is it a jobs bill then?

Secretary HILLS. It is a jobs bill which will have as a by-product an improvement of those communities which have been hurt by the recession. By the improvement left behind, these communities will hopefully be able to attract private industry back into their borders, a heterogeneous mix of people, and generally have economic improvements.

So it is not simply a jobs bill per se, in that it would finance jobs today, and none tomorrow, as some of the public service bills would. It is a jobs bill which creates economic improvements on the face of the communities which are hurting. And that will help those urban centers in the long run as well.

Senator STEVENSON. Well, I certainly am sympathetic with the purpose of creating jobs. But it seems to me when you aim at the development of a community, then that is not a national objective, that is a community objective you are aiming at. But then when you cut the funds on and off for that community dependent on the national unemployment rate, you end up not accomplishing either purpose, either increasing the rate of employment in the areas where it is highest, or providing the assured continuity which is essential of the funding for community development. If it is jobs, there are more direct and faster ways of getting jobs than putting it into bricks and mortar.

Secretary HILLS. There is a considerable multiplier effect in putting it into bricks and mortar. You asked if this were a jobs bill. It has a jobs component. It is really an urban relief measure which creates jobs and improves the face of the city in so doing, so that those cities can become viable. And we would have the same hopes in hard-hit rural areas as well.

I do not see any dislocation resulting from this emergency measure. East St. Louis knows it has 18 percent unemployment, and will know for a given quarter what its slice is of the quarterly allocations under

the bill—which under present circumstances would be about \$225 million nationally.

It would know that it can make an improvement it has wanted to make with those dollars. And the only requirement is that they be job-intensive activities through the private sector, which has distinct advantages, and that they be consistent with its community development plan.

The compliance with the plan is to assure that communities do not simply pull out some project they would like to do, but they have given it some thought. The requirement that the jobs be provided primarily through the private sector will insure that the jobs thus created not only have the multiplier effect, but also will be more easily absorbed into the economy in that community.

Senator STEVENSON. I don't understand that. Is there a requirement that the jobs be placed—how does that work? You said the jobs come through the private sector, and that is some sort of requirement. What is that requirement?

Secretary HILLS. The stated policy of the act is to reduce unemployment by increasing significantly private sector employment while fostering community development. The advantage of using the community development mechanism is that communities contract through the private sector for water and sewer projects, streets, street lights, and general improvements in their communities, which creates jobs—both in making the pipe for the sewer and then for laying it.

Senator STEVENSON. I still don't quite understand. There is no prohibition, is there, against employment in the public sector, people who work on the sewers or parks or whatever?

Secretary HILLS. No. It is just that the policy as stated is to have jobs that are in the private sector, which would make it more likely that they would eventually be absorbed into the economy rather than relying on tax revenues to support them.

Senator STEVENSON. Thank you, Mr. Chairman. I have no further questions.

The CHAIRMAN. Senator Tower.

Senator TOWER. I would like to express my agreement with what I think the Secretary is trying to say. We are justified in undertaking such a program only if unemployment is a national problem. If unemployment is present over the country, it is a national problem. If it is endemically high in various areas, but not high nationally, it is not a national problem and therefore we shouldn't address ourselves to it. But I would agree, too, that the formula should maintain the sole criterion of unemployment.

You talk about what cities are doing for high employment, New York City has a very high number of public employees that it pays \$16- to \$18,000 a year, in many instances for doing very little. They could cut those salaries in half and pay twice as many people, and therefore increase the employment rate substantially in New York City.

But let me get to this business of job intensiveness. There is another factor and that is job effectiveness. What is the rollover effect? In other words, by putting this money in the community development programs, these are programs that are job intensive. What is the

secondary effect? Are they job effective in terms of in turn providing additional jobs through the private sector?

Secretary HILLS. I think they are job effective. The goal of the act is to try to create jobs, as it states, by the creation of jobs in the private sector. That means we are doing business with the people who are building sewer pipes and street lights and so forth, rather than just having a public sector job, such as a clerical job. When the funding turns off, that kind of job disappears.

That is not true if you have enhanced the economic opportunities in the community. Under this approach, there will be considerable benefits to the face and economic health of the local community, so it can attract business within its jurisdiction. The effects can be very positive for the urban and rural centers which have been hard hit by the recession.

Senator TOWER. Thank you.

The CHAIRMAN. Senator Helms.

Senator HELMS. Mrs. Hills, you are a very impressive lady, always articulate. You were speaking just now of creating jobs; just as a matter of curiosity, how many additional people will it require just to institute the program envisioned under S. 2986?

Secretary HILLS. Are you talking about the bureaucracy to run the program?

Senator HELMS. Yes, ma'am.

Secretary HILLS. Until I know whether there is going to be clarification as we suggested, it is a little difficult to estimate. I would estimate about 15-staff years per quarter, probably less in monitoring if we have the flexibility that we have recommended: about 50 people over-all, I would say, is a very rough estimate. And that could be trimmed down—or up—depending on how you formulate the provisions.

Senator HELMS. I am always wary of the Federal Government trying to solve local problems.

Mr. Chairman, we have in North Carolina a government program designed to relieve unemployment through training. I cannot recall the precise number of millions of dollars involved in this Federal-funded but State-administered program. But the trainees, as of now, cost \$110,000 apiece, if my memory serves me right. I think many of these efforts that originate in Washington often end up being what the people have justifiably come to regard as a rip-off.

I was glad the President vetoed the first bill, which I thought was very, very bad. And my distinguished colleague from Texas, Mr. Tower, Mr. Thurmond and Mr. Griffin notwithstanding, I'm not so certain about this one.

But, Mrs. Hills, do you think 50 Bureaucrats will be able to administer this program, which will cost, if I read this correctly, \$225 million a quarter—

Secretary HILLS. If you are looking at a quarterly analysis, I would say 15 staff years would be needed to administer it each quarter, or about 50 to 60 people each year. It really depends on several factors, especially the clarity of the provisions and whether we have to go through these waivers on a one-by-one basis. I think our staffs can work this out. It is not a complex problem.

It also depends on how long the funding stays in effect. If we assume that the economy is going to improve and that there will be a reduction in unemployment, then we are looking at fewer people for the period of time, because we are looking at a shorter period of time.

Senator HELMS. You said 15 for the quarter. And then you mentioned a figure of 50?

Secretary HILLS. Fifty to sixty persons addressing a full year, assuming the programs enacted without cumbersome requirements that would require additional staff support.

Senator HELMS. What happens to those people if this program fails, as so many others have? Do they stay with HUD?

Secretary HILLS. I suspect that we could make provision in other aspects of our programs. I think the personnel problems of that nature can be dealt with, especially since we do have considerable turnover and our other programs are in a growth stage, so that some absorption could take place. I would not be prepared to tell you exactly how those positions would be utilized.

Senator HELMS. In other words, is the widespread impression correct that there is really little or no effort to examine the personnel and trim it down?

Secretary HILLS. That is not correct. For example, I can tell you that in 1971, our community development field staff was about 1,200 people. And by the end of 1976, which is coming shortly upon us, we are down to 900 for the new CD block grant program and the old categorical programs. We have trimmed our people because our Department has very clear work management standards and we are working to clarify them more. So I can tell you exactly how many hours it takes to do a certain assignment. And if you want to cut the staff, it is a very simple choice.

Yes, you can have fewer people and you can also have a lower work level.

We are trying to refine this to make it more than just an advocate procedure when we are talking about staffing. But we know precisely and you know precisely what it is we can accomplish with so many people.

I can tell you on an insurance application or a 518(b) claim or a community development application, how many hours it takes.

So I don't think it is accurate to say that we never do cut.

We do it differently at HUD.

Senator HELMS. I didn't mean to wander so far afield, Mr. Chairman, but Mrs. Hills comments are interesting and encouraging to me. Could you, Mrs. Hills, give me an estimate of how many employees HUD now has—the whole Department?

Secretary HILLS. 15,000.

Senator HELMS. How many did you have in 1971?

Secretary HILLS. It was approximately the same. I don't have the number here.

Senator HELMS. Thank you, Mr. Chairman.

The CHAIRMAN. One of the points made by the House author of the bill, Mr. Brown, who testified before us yesterday, is if we really wanted to be sure that this provided jobs in a hurry, we should simply provide for lapsing the funds; if communities didn't spend

the funds in a certain period, they would lose them. How do you feel about that?

Secretary HILLS. I think you could have a provision in the bill that you use them or you lose them.

The CHAIRMAN. That is a good phrase. Would you favor that? You said we could have it, but would you favor it?

Secretary HILLS. I would have to give some analysis as to how this would impact on the community. At first blush, I think it has much to recommend it.

The CHAIRMAN. What is the cost per job, do you know, under the GNMA tandem program? The cost to the Federal Government. A great deal of the money would come from the private sector, as I understand it, but the Federal Government cost might be small. I am talking about the cost that would be generated in the construction industry by the additional housing starts. It would be very, very small; wouldn't it?

Secretary HILLS. I am not sure I follow your question.

The CHAIRMAN. I am talking about cost per job. This is a program that would cost the Government very little, because under the GNMA tandem program, the Federal Government borrows money at the rate below what they would lend it. I presume that there is some cost of administering the program.

Secretary HILLS. This legislation is not related to GNMA.

The CHAIRMAN. I know, but I am trying to get a comparison.

Secretary HILLS. We have a substantial cost in GNMA from warehousing mortgages that we have bought. We buy these mortgages bearing below market interest rates, and we sell them when the market is right, and it has not been.

The CHAIRMAN. But I am talking about the number of jobs this generates. GNMA does generate jobs. In fact, I talked to you on this, when you announced you would spend the money, it would mean about 120,000 jobs, and the cost to the Government per job would be small.

Secretary HILLS. If you are asking me how many jobs do housing starts generate, as opposed to GNMA activities, I would say we normally say that for a start you get two job years. So if you have 250,000 starts in a year, you are talking about 500,000 jobs. But I can not warrant that in GNMA, because we do not know what the substitution effect is. That is to say, we can generate construction, but we do not know what the incremental effect will be.

The CHAIRMAN. There is no way the Federal Government spends money without some substitution effect.

Secretary HILLS. Sometimes.

The CHAIRMAN. There is a substitution effect here, too; is there not?

Secretary HILLS. There may be.

The CHAIRMAN. Are you allowing for that in computing the cost per job, net cost per job of \$10- or \$12,000?

Secretary HILLS. No, I think that this estimate assumes relatively little substitution effect under this particular approach of using the existing block grant mechanism and plans.

The CHAIRMAN. Provide for the record what you can on this, because it seems to me when you have this enormous amount of

unemployment that we have in the construction industry, and such a great need for housing, that the substitution effect would not be very great in the GNMA tandem operation or in the 235 program.

Provide what you can for the records on that.

[The following response was received for the record:]

The calculations on job creation impact of S. 2986 assume that there would be no substitution effect, because the funds would be used to accelerate the ongoing community development programs. As cities and counties spend the additional funds, they create jobs which would otherwise not be created, since the cities are adding on to their existing CDBG plans.

The job creation impact of the Tandem Plan depends on the extent to which the Tandem Plan starts are incremental. There has been a continuing controversy over this aspect of the Tandem Plan, with no hard evidence on the extent to which Tandem starts substitute for non-Tandem starts which would have occurred anyway. HUD is currently undertaking a detailed systematic evaluation of this question, and results are expected later this spring.

Secretary HILLS. Mr. Chairman, this line of questioning obscures an essential point. The purpose of GNMA is to generate construction someplace. The purpose of this bill is to provide a relief measure for those urban communities that are hard hit by the recession, which have high unemployment.

If you were to turn on more GNMA dollars, you will not necessarily get a building in the community which has high unemployment. In fact, it would likely be exactly the reverse. A community that is hard hit by a recession is probably not expanding, and probably does not need additional housing stock. It probably needs rehabilitation of old housing stock to try to keep people there. They don't need more production.

The CHAIRMAN. You still have a multiplier effect; you still have the job effect. It is true there is some substitution; it is true some of the construction might very well be in areas where unemployment is not as high as in others. Nonetheless, you do have a job effect when you have an emergency housing program.

Secretary HILLS. You do have a job effect, but it is not focused on communities of greatest need. In fact, if we were to try to generate housing, the people that would respond most would be those communities that are already recovering, that have the dollars, so that you get exactly the opposite effect. The communities that are rich, that are attracting people, that have expanding economies that are building those communities may not need such assistance. Whereas this bill is for the poorer communities that have 30, 25, 15, 12 percent unemployment, and to provide them a way to improve their communities so they can attract people back, so they can attract business back, and so that they can handle some of the problems generated by the recent recession.

The CHAIRMAN. I understand that. But when you provide jobs in any national program like this, you may have any number of effects. One might be that people would move from one community to another, they would follow the jobs. You do have this very heavy unemployment that we have in the construction industry, and you provide for a vigorous emergency housing program, the kind of tandem that was envisioned, you will, in effect, provide additional employment.

There may be some substitution effect, true. Some of the jobs may go into communities that are already prosperous. But you would provide some additional employment.

Secretary HILLS. I do not think you would get into areas that are the target area of this bill.

The CHAIRMAN. There is no reason why you couldn't limit this to areas of high unemployment. You could limit additional GNMA tandem money—

Secretary HILLS. But they don't need housing; that is the problem. You would be building white elephants. The communities that need housing are those that are expanding—

The CHAIRMAN. You may or may not be right.

Secretary HILLS. If you look at the vacancy rate, you find there is some correlation between communities that have very high unemployment, where businesses and people have been leaving those communities, where they have been badly hit by the recession, all of which means their tax base is eroding.

The CHAIRMAN. Some of the cities you mentioned that have heavy unemployment need housing. You need housing in New York City, Detroit, Superior, Wis., you need housing. I don't know about Laredo, Tex.

Secretary HILLS. New York City would probably do better to address their 50,000 abandoned units per year, rather than build even more new ones.

Senator TOWER. And this money does go for rehabilitation.

Secretary HILLS. Yes.

The CHAIRMAN. Of course, the rehab program is another one we have been pushing very hard. Everybody in Congress is for it, but somehow we don't seem to be able to get the kind of aggressive action we hoped for.

What was your position last year on the trigger mechanism in the Emergency Housing Act that the President vetoed? Do you favor or oppose that trigger mechanism?

Secretary HILLS. I recall that I was against the bill because of its complexity of offering a smorgasbord of items to the consumer, a six percent, seven percent, or a \$1000 cash payment up front, or if you got the tax credit, you didn't get any of those. I felt that was bewildering array. I do not think that I focused only on the trigger mechanism.

The CHAIRMAN. But the Administration did in the veto message indicates that was one element among a number of others; you are quite correct, in their opposition to the bill. They were critical of the triggering mechanism.

Now you favor a triggering mechanism in this bill. Why do you change?

Secretary HILLS. I wouldn't say that triggering mechanisms in every context are bad per se. I think you have to look at the bill. And this bill provides the opportunity for assistance to communities that are in trouble. I think that is a very fair way to distribute your funds where there is excessive unemployment.

I would gear this bill to those communities which have excessive unemployment, and the trigger mechanism would seem to work well in that context.

The CHAIRMAN. One of the things that bothers us that I didn't mention in my introduction, but has bothered me and other members of the committee, maybe the biggest practical obstacle in the passage of this bill is that the groups that would benefit from it, the cities, the States, organized labor, counties, they all either oppose it or they have indicated no enthusiasm. We have invited them to testify and they have sent statements opposing the bill, or they are not interested. How do you explain that attitude, in view of your conviction that this will be a benefit to the communities?

Secretary HILLS. I think perhaps there has been so much of a focus on the vetoed bill that there has not been the opportunity to generate enthusiasm behind this bill. There is a human psychological factor of comparing what might have been with this, and it just has not yet been able to generate the enthusiasm.

I think those many communities that would benefit under this bill—if they were fully awake what the benefits would be for them—would be in favor of it. There are politically, attractive features of categorical programs, and the grantsmanship approach. I do not think it is the best approach when you take an overall view, but it does have some attractiveness politically.

The CHAIRMAN. Mr. Nathan's testimony yesterday concludes that such legislation as this should be attached as an amendment to revenue sharing. What advantages do you see in attaching this program to CD legislation instead?

Secretary HILLS. The CD mechanism is in place and ready to work, and creates construction-type jobs, so that whereas general revenue sharing produces more of a service type job. And I think that there are advantages to the kinds of construction that would come from the community development approach.

The CHAIRMAN. You see, his position was based on his analysis which made him conclude that this would probably not be much help in this recession, that it would be a help in the next recession perhaps, it ought to be in place as a counter-psychological supplement to revenue sharing. Revenue sharing is now given to communities whether they are in a prosperous situation or in a depressed situation, as many of them are now, and they are very needy indeed.

He felt this would supplement revenue sharing and make it counter-cyclical, and be of benefit to the cities under circumstances when they needed it the most.

Secretary HILLS. I am much more worried about the current recession than the next one, and I would think we could move ahead and give some assistance to communities that are suffering in the next 90 days. That is of more immediate concern than worrying about a mechanism for whatever economic dislocation we may unfortunately suffer sometime in the future.

The CHAIRMAN. Madam Secretary, I want to say this has been a great day for the committee, it is our Hills day, and it is a notable thing that you can say that you represent the most competent family in the U.S. Government. I laud you with faint praise because you and your husband have no competition.

Secretary HILLS. I would never make that representation, but I thank you.

The CHAIRMAN. We are very grateful for your appearance.

Our final witness today is Mr. Dudley Young, Assistant Commissioner of the Bureau of Labor Statistics of the Department of Labor.

**STATEMENT OF DUDLEY E. YOUNG, ASSISTANT COMMISSIONER
OF THE BUREAU OF LABOR STATISTICS, DEPARTMENT OF
LABOR**

Mr. YOUNG. Thank you, Mr. CHAIRMAN.

The CHAIRMAN. We have your statement and we are very grateful to you for it. It is a concise statement. You can either deliver the statement in full or you can file it for the record and summarize it.

Mr. YOUNG. Yes, Mr. Chairman, I would like to condense, give three brief summary points from the conclusions of that statement.

The CHAIRMAN. Very good.

Mr. YOUNG. First, as a technician, I worry about the use of unemployment estimates for cities and counties, the data for SMSA's is much more reliable, but as a practical person, I realize the needs of the legislation, the fact that this is probably the best proxy that you have for the conditions you are trying to measure.

Second, a technicality of the legislation. I don't think it is feasible to require the use of seasonably adjusted data for metropolitan cities and urban counties immediately because, in fact, the historical data, which would be necessary to provide a basis for accurate seasonal factors doesn't exist, and it will take a little while to build up this kind of history.

And third, there is an exception stated in Section 119(B) 2(c) of the bill under which the criteria for determining unemployment would be left with the Secretary of Housing and Urban Development, if the Secretary of Labor could not certify the data.

It seems to me that this exception is really not a wise one because, I think, that the responsibility for the unemployment data should remain vested in the Secretary of Labor.

Those are the three major points I would make.

[The complete statement follows:]

STATEMENT OF DUDLEY E. YOUNG
ASSISTANT COMMISSIONER OF THE
BUREAU OF LABOR STATISTICS
U.S. DEPARTMENT OF LABOR
BEFORE THE SENATE COMMITTEE ON BANKING,
HOUSING AND URBAN AFFAIRS

March 3, 1976

Mr. Chairman and Members of the Committee:

It gives me great pleasure to appear before this distinguished committee on behalf of the Bureau of Labor Statistics and the Department of Labor to testify on the statistical requirements of S. 2986, the "Supplemental Community Development Employment Assistance Act of 1976." The BLS, under Office of Management and Budget Circular A-46, is the official Federal agency responsible for compiling and publishing State and local area unemployment statistics used for Federal programs.

These estimates are prepared for the BLS by State Employment Security Agencies under a joint Federal/State cooperative program. Under this partnership, the BLS develops the technical procedures and reviews and approves the estimates. The responsibility for disseminating and publishing the estimates is shared by both the Federal and State partners.

We have found that this cooperative arrangement is both practical and eminently desirable because both partners share a mutual interest in developing reliable unemployment

estimates needed for economic analysis and program purposes at both levels of government. As a practical matter, such an arrangement is needed because the technical expertise for developing reliable statistical procedures has traditionally evolved from Federal statisticians and because much of the data needed to develop these estimates are collected at the State level as a byproduct of the operation of State unemployment insurance laws.

As we interpret S. 2986, unemployment data would be required for four classes of areas--the Nation, the individual States, metropolitan cities and urban counties, and the balance of the States not included in the metropolitan cities and urban counties. Data would be required for each calendar quarter on a seasonally adjusted basis.

We have no problem in providing the needed data for the Nation as a whole. Such data are published monthly by the BLS, have a high degree of statistical reliability, and are widely accepted by professional economists and statisticians and government policymakers. Nor do we have a problem with providing these data for States and Standard Metropolitan Statistical Areas (SMSA's). While the State and SMSA estimates are not generally published on a seasonally adjusted basis, technical procedures are in place to seasonally adjust these data and these procedures could be

implemented without a great effort. I should add, however, that while the State and SMSA estimates are acceptable for economic analysis and program purposes, they do not meet as high standards of quality as we have set for the national estimates.

Beyond the State and SMSA estimates we do not have a good deal of confidence in the quality of the estimates developed for metropolitan cities and urban counties. Because of the various ways in which the State Employment Security Agencies keep their records and the limited state of the art in estimating unemployment, State agencies are not at this time able to develop independent estimates for cities and urban counties. The estimates which are developed are generally based on fixed Census ratios, developed from the 1970 Census of Population. I should add, however, that this problem exists for any proposal to use local unemployment data.

In a few States, significant changes in the UI data base have enabled States to develop estimates for cities and counties based on current unemployment insurance claims data. The BLS is working with the States to revise their record-keeping procedures in order to code and collect data by city and county of residence. Such data are now generally coded only by the local office of filing. We are also experimenting

with new statistical techniques to improve the estimating procedures so that when residence data are available, independent estimates for cities and counties can be developed. However, significant improvements cannot be realistically achieved before the end of two years.

Thus, while estimates for metropolitan cities and urban counties are available, they are not of the same quality as the estimates for States and are used for some program purposes only because there is no practical alternative. Since the estimates for most cities and counties are based on fixed 1970 ratios, they do not reflect changing residential patterns. Also, they are totally dependent on the estimates for the SMSA's and will always move both seasonally and cyclically in the same proportion as the unemployment estimate for the SMSA as a whole.

Even if the claims data were now generally available on a residency basis and even if we implemented new estimating procedures, we could not as a practical matter construct a time series which would be of long enough duration to satisfy the current technical seasonal adjustment procedures. For States to reconstruct their UI claims benefit histories beyond the current benefit year to meet the needs of S. 2986 would require an investment of substantial sums of money. Also, such a procedure would, of course, take considerable time to implement.

In short, the requirement for seasonally adjusting metropolitan city and urban county data would be extremely difficult to meet at this time. Moreover, being based on fixed ratio data to the SMSA's, the resulting data would not necessarily reflect the seasonal patterns in such cities and counties. I want to make it clear, however, that the BLS strongly endorses the principle of using seasonally adjusted data. But since this bill requires data for cities and counties, not SMSA's, we do not feel that reasonably accurate seasonal adjustments can be made at this time. We are very much encouraged by the cooperation shown by States in working to improve their recordkeeping practices and we have every hope that our recent research in unemployment estimating will make it possible to develop independent unemployment estimates for cities and counties. We suggest, therefore, that the language of the bill be modified to require that seasonally adjusted data be used whenever acceptable estimates can be prepared.

My final comments relate to section 119(b)(2)(C) of the bill which would authorize the Secretary of Housing and Urban Development to use alternative methods for estimating unemployment whenever the Secretary of Labor cannot provide these estimates. We cannot understand the intent of this language since it only refers to estimates for that

portion of the State not included among metropolitan cities and urban counties. Since the bill requires the Secretary of Labor to provide the needed data for metropolitan cities and urban counties, and since it is generally acknowledged that reliable data can be obtained for States from the Secretary of Labor, the estimates for the balance of the State (excluding the metropolitan cities and counties) can easily be derived by the Labor Department by subtraction. Therefore, we would urge that S. 2986 be modified to remove this provision to clarify that this responsibility would remain exclusively with the Secretary of Labor.

The recently issued OMB Circular (A-46, exhibit J), which states that all Federal agencies are required to use the most current national, State or local unemployment data published by the BLS, was issued to ensure that the unemployment estimates for all Federal programs are developed uniformly and that the data are comparable from place to place within the nation as a whole.

In summary, we have serious concerns about the use of estimates of unemployment for metropolitan cities and urban counties and would prefer the use of estimates for SMSA's. However, we recognize the practical implications of this legislation which is designed to assist political jurisdictions with established need. Under these circumstances we feel we can live with the existing language, provided that

appropriate modifications are made to eliminate the immediate requirement to use seasonally adjusted data while retaining the general principle of the use of seasonal adjustments when appropriate technical procedures are developed. We feel very strongly that the authority to estimate unemployment should be vested exclusively with the Secretary of Labor.

This concludes my formal statement. At this time I will be happy to entertain any questions.

The CHAIRMAN. All right, sir. I want to be sure I understand this, because I think it is a very vulnerable part of the bill. As I understand it, this bill would be triggered whenever unemployment in the country is above seven percent, and in a particular area, where the funds would be made available if it exceeds eight percent.

Mr. YOUNG. Yes.

The CHAIRMAN. How are these areas defined? How large would they be? Urban counties, is that the term you used?

Mr. YOUNG. Urban counties of over 200 thousand is the stipulation in the bill.

The CHAIRMAN. Then this would be no help to the rural counties or to the small towns?

Mr. YOUNG. The only provision for rural counties and small towns is the provision, I believe, that 25 percent of the funds would be reserved to the States to distribute to areas other than those metropolitan cities and urban counties.

The CHAIRMAN. How would the Secretary determine that they were areas of need?

Mr. YOUNG. The way the bill is now written, as I interpret it, it would mean that the allocation would be among states, and the size of the allocation to the State would be determined on the basis of a balance of State formula, taking the unemployment for the residual part of the State after extracting the urban counties and metropolitan cities.

The CHAIRMAN. Is this available for every one of the 50 States' unemployment on a timely basis, so the statistics could be available and used in all of the States?

Mr. YOUNG. The figure on every State, the figures on the standard metropolitan statistical areas, the figures on specific cities around urban counties could be obtained without too much difficulty.

But again, as I said in my first point, the quality of the figures as you get down to the smaller geographic jurisdictions is certainly lower.

The CHAIRMAN. Take a State that has high unemployment, but is a State which is characterized by small towns and cities. Say, they have one or maybe not even any urban counties, that might be true of some of our rural States. Would they be unable to use 75 percent of what otherwise might be available because they would only be able to allocate it to communities where they couldn't precisely say what the unemployment level is?

Mr. YOUNG. That is my understanding of the way the bill is drawn.

The CHAIRMAN. Can you tell me what proportion of the Nation's unemployment is in standard metropolitan statistical areas?

Mr. YOUNG. No, I am sorry, I couldn't give you the current figure. I could get it for the record.

The CHAIRMAN. All right. Get me that for the record, and also cities of 500 thousand or more, if you have that.

[The following was received for the record:]

Three-fourths of the total unemployment in the Nation was in standard metropolitan statistical areas in September of 1975. The proportion in standard metropolitan statistical areas of 500,000 or more population was almost three-fifths in the same month. I have not, I realize, answered your second question exactly since you asked for data on "cities of 500,000 or more" rather than "metropolitan areas of 500,000 or more." Unfortunately, I don't have the latter figure, it could be obtained but only at the expense of considerable effort by our cooperating State agencies.

The CHAIRMAN. Can you tell me how much variation there is in unemployment between various SMSAs? What the low and high levels are?

Mr. YOUNG. There is a very large variation, going up, of course, to figures in the 15, and 16 percent range for large metropolitan areas and down to very low, well under the eight percent that would qualify them under this act.

Mr. CHAIRMAN. From what you said a few minutes ago, I am not sure if I understand it, but you do see serious problems with attempting to estimate unemployment data for metropolitan cities and urban counties by extrapolating from SMSAs statistics. Is that right?

Mr. YOUNG. Yes. I say that the quality of the data, as you get to the smaller jurisdictions deteriorates, because the smaller the population, the greater the difficulty of getting accurate statistics, accurate survey statistics.

The CHAIRMAN. Is the inaccuracy of the data so serious that we ought to consider abandoning the idea of basing a program on it?

Mr. YOUNG. I would not say so as this bill is now drawn.

The CHAIRMAN. You say you would have to settle, however, for approximation here and for operating on a kind of guess or seat-of-the-pants basis, without any assurance that you are being precisely fair.

Now, you have testified that the authority to estimate unemployment problems in non-metropolitan areas under S. 2986 should rest with the Secretary of Labor, rather than with HUD, and the Secretary there.

Mr. YOUNG. Yes.

The CHAIRMAN. And the estimates would be made by subtracting your urban area estimate from the state unemployment figures. Can you tell us something about how the Labor Department would make the urban area estimate required in the bill?

Mr. YOUNG. The estimates that are now made by State employment security agencies working under instructions, which they receive on technical methodology from the Bureau of Labor Statistics, are prepared by these agencies for use in allocation of comprehensive Employment and Training Act funds, for example. These data are used for the allocation of those funds to the prime sponsors, and they are prepared, covering States and they are prepared covering metropolitan areas. The same methodology would be extended to provide data for the specific political jurisdictions covered in this Act. This follows both the standard set within the Department of Labor and a more recent OMB circular, Exhibit J to circular A-46, which the Office of Management and Budget issued in December, giving the Bureau of Labor Statistics responsibility for validating the data to be used, the data for States and localities to be used for allocation of Federal funds by other agencies.

The CHAIRMAN. Do you have any opinion on the impact of this legislation, how many jobs would be generated by this bill in your judgment if unemployment remained at the same level as it is now, 7.8 percent, I believe?

Mr. YOUNG. I would prefer, if I might, to submit something for the record for that because I am really not familiar with the special data to which the Secretary of HUD referred when I heard her saying

that she was using data from the Bureau of Labor Statistics for this purpose. I would like to check a little further into exactly what that was.

The CHAIRMAN. I think she corrected that and did not attribute it to the Bureau of Labor Statistics. As I recall, it is kind of a simple notion of taking, what is it, \$780 million, and dividing it by the amount, taking an 80 percent figure, and then making a computation on the amount of wages paid and working it out on that simple mathematical basis.

Of course, the question that comes to mind is, would the effect be that complete and that comprehensive and that direct? At 7.8 unemployment, would they be able to expend these funds?

Mr. YOUNG. The Bureau of Labor Statistics does have, I believe, some data which might be relevant to this problem. But I don't myself have it. It is not in my field of expertise.

The CHAIRMAN. All right. If you get that for us and submit it for the record, we would be very grateful.

Mr. YOUNG. I would be glad to do so.

[The following was received for the record:]

The number of jobs required depends on the mix of activities for which the \$780 million is to be spent. The Bureau of Labor Statistics is not able to provide estimates for such likely program activities as family planning, legal services, recreation, employment services, and other public services. However, the BLS can supply estimates of job requirements associated with specific public construction activities. These estimates, though, should be regarded as only job requirements rather than actual employment that would be generated, because influences on both the demand and supply sides of the construction labor market could not be anticipated.

Also, to the extent that the Community Development Program may replace existing construction or other activities, there would be less change in actual employment. However, since at least 75 percent of the funds are to be used to accelerate already-scheduled activities, the substitution effect of the proposed program would probably be relatively unimportant.

There are two types of construction activity which are eligible under the Community Development Program, and for which the BLS has undertaken surveys. These are streets and sewer facilities. If street construction were undertaken, 16,500 local construction jobs and about 17,500 jobs in other industries to produce and deliver the materials used in construction would be required, for a total of 34,000 jobs. Should sewer construction be used to approximate the type of construction activity, 16,800 local construction jobs and about 14,800 other jobs would be required, for a total of 31,600 jobs. The basis of these estimates are labor and material requirement surveys of new construction conducted by the BLS. The employment requirements developed in these surveys are national averages and do not measure any regional differences that may exist. Also, employment generated by the respending of wages and profits of the workers and their employers—the multipliers and accelerators effects—are not included in these estimates.

The above projects are a minor part of the Community Development Program and are not representative of the Community Development Block Grant eligible projects as enacted by the Congress. The majority of the projects to be funded by the proposed Community Development Program are more labor intensive than these construction projects. Hence the figures on job requirements provided here should be interpreted as only the number of jobs required as a result of the monies for specific public construction projects, which would be substantially less than \$780 million.

Another important factor is the provision allowing communities to spend up to 25 percent of the funds on activities not normally eligible under the Community Development Block Grant program. Should these funds be spent on labor-intensive activities, as is typically true of local government funds generally, then the number of jobs created would rise substantially. Further, there is the proposed waiver provision which would allow the use of funds for any physical development activities which are (1) consistent with the needs and objectives stated in the applicant's community development plan and (2) will have an impact upon local unemployment by creating private sector jobs.

The estimates of the BLS survey were derived on the basis of the average requirements per dollar of construction expenditure. To the extent there may be economies of scale, the incremental requirements to attain a level of economic activity may be smaller and thus more workers could be hired with the same dollars in public expenditures. Therefore, there is a strong probability that more jobs will be generated from the proposed Community Development Program than the number of job requirements as stated earlier. Unfortunately, the Bureau cannot develop the marginal job requirements from available data.

The CHAIRMAN. On page 4 of your printed statement you refer to problems in estimating current unemployment in cities and counties. I will read the part and then ask you about it. You say:

Thus, while estimates for metropolitan cities and urban counties are available, they are not of the same quality as the estimates for States and are used for some program purposes only because there is no practical alternative. Since the estimates for most cities and counties are based on fixed 1970 ratios, they do not reflect changing residential patterns. Also, they are totally dependent on the estimates for the SMSAs and will always move both seasonally and cyclically in the same proportion as the unemployment estimate for the SMSA as a whole.

How would errors in these estimates affect the center of cities, like the District of Columbia, and New York City, where large numbers of workers commute to places of work in the center city? Would it understate or overstate center city employment?

Mr. YOUNG. Well, the basic methodology is to get a level of employment—take New Jersey as an example—get a level of employment and unemployment from the household sample survey conducted for the Bureau of Labor Statistics, by the Census Bureau, on an annual average basis, an annual average because the sampling variance in individual months of data would be too great to be reliable. And to extrapolate that currently through the year from month to month by a fairly complex set of arithmetical manipulations, which include the use of data on unemployment insurance claims filed in the area and employment data from business establishments in the area, adjusted to reflect place of residence.

Now, as you must be aware, this kind of technique can lead to biases as a result of lack of accurate estimates of the number of, say, exhaustees, people who exhaust their unemployment insurance benefits.

We, at the Bureau of Labor Statistics, are working on improved techniques and improved methodology for making these estimates but I am frank to say that at the present state of the art they are not as good as I would like to see them. In fact, right now, within the next month, there will be some revision in these estimates for areas in the United States as a result of our receipt of the annual averages of the Current Population Survey data for last year. And this revision will reflect the fact that the sum of the area estimates for last year derived by the States by the methodology I just described exceeded by a fair margin the sum of the estimates coming out of the current population survey for unemployment.

So, that during the past year there was apparently an upward bias in these area estimates as prepared by the states, according to the methodology which we prescribed.

I don't want to imply this was failure or incompetence on the part of the States. It is a failure in the basic data which they had to use to make the estimates.

The CHAIRMAN. My question related to the example you gave of District of Columbia and New York City and how the errors in the estimates would affect the center cities, because you have a large number of people commuting, and when you have lay-offs, the actual determination of unemployment in that particular area would be rather difficult.

Mr. YOUNG. As the residential patterns in an area change and we have no data between censuses with which to update them——

The CHAIRMAN. So, you don't know whether this would result in an understatement or overstatement of the unemployment. All you know is it wouldn't be accurate.

Mr. YOUNG. Yes. Take the Washington Metropolitan Area, Fairfax County has been growing rapidly in the last few years, since the 1970 Census. And adjustments made just on the basis of 1970 population patterns between the central city in Washington and Fairfax County would not be a good representation of what the Fairfax County-Washington city situation is today.

The CHAIRMAN. I see.

Thank you very much, sir.

That is a most helpful analysis, and if you would provide that information for the record we requested, we would appreciate it a great deal.

The committee will adjourn.

[Whereupon, at 4:40 p.m., the hearing was adjourned.]

