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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1979

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

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PART 7

PUBLIC WITNESSES

Printed for the use of the Committee on Appropriations

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PUBLIC WITNESSES

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U.S. GOVERNMENT PRINTING OFFICE
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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1979

PUBLIC WITNESSES

TUESDAY, APRIL 11, 1978.

CAMDEN VA HOSPITAL

WITNESSES

HON. JAMES J. FLORIO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY
HON. JOHN J. DEGNAN, ATTORNEY GENERAL, STATE OF NEW JERSEY

Mr. BOLAND. The Committee will come to order.

We are pleased to have with us today outside witnesses interested in particular matters of the agencies which come before this Subcommittee. We are delighted to have our friend and colleague from the Camden, New Jersey area, the Honorable James J. Florio, who is interested in a project in Camden that has created a bit of controversy as a result of some changes that VA has recommended.

So we are delighted to have you, Congressman Florio. You are accompanied by John Degnan, the Attorney General of the State of New Jersey.

You may proceed as you wish, and introduce Mr. Degnan. Why don't you go ahead with your statement?

Mr. FLORIO. It is my pleasure to introduce the Attorney General of the State of New Jersey, representing the Governor, the Honorable Brendan Byrne, for a statement on behalf of the Governor.

Mr. DEGNAN. I am delighted to deliver this message from the Governor. I apologize for his inability to be here. An emergency situation that came up last night prevented his attendance.

He asked me to say that he appreciates the opportunity to testify in support of a project of overriding importance to the State of New Jersey, its veterans, and to the city of Camden.

We are particularly appreciative of your time since we recognize this represents only a small portion of concerns being presently considered by your Committee.

I would also like to thank our distinguished Congressman Jim Florio for his efforts on this matter in anticipating the presentation today.

Until January of this year we in New Jersey considered that the Federal Government had given us a final and absolute commitment for the construction of a veterans hospital in Camden. This was af-

firmed by three Administrations, and through the first year of this Administration, and it did not come easy.

To make it possible the State of New Jersey made it possible to undertake the task of locating a school to a teaching hospital. The loss of the VA facility will affect the quality of programs which have been designed and planned for the entire South Jersey medical school complex.

Cooper Hospital in Camden spent $34 million rebuilding its facilities specifically to meet the need of the proposed VA Hospital. The City of Camden agreed to donate the land. The expenditures for the creation of the medical school and for the preparation and clearing of the land were major ones, both for the state and for the city.

That city ranks as one of the ten most distressed cities in the nation. I think it appropriate at this time to touch upon the history for a moment of the VA Hospital.

Seven years ago the VA agreed there was an apparent need for a new VA Hospital. In 1974, a demographic study conducted by the VA concluded that the existing Philadelphia system was seriously strained, and could not provide necessary medical services for the large Delaware Valley veterans population.

In February 1976, an outside consultant team retained by the VA selected Camden as the best possible site. That $200,000 study chose Camden on the basis of veterans needs, project costs, accessibility to area veterans, and the critical educational link to the South Jersey medical school.

As late as August 1977 the mayor of Camden received a letter from Administrator Cleland urging the city to go ahead with plans to hire an architectural firm. In January of this year the President's budget for Fiscal 1979 eliminated the hospital without any prior notice to the city or to the state.

We think we have met our commitments, for the potential benefits to Camden were enormous. Our veterans would have had readily accessible medical care in our state. The state would have a new medical school and the City of Camden would have a focal point upon which to target its medical program.

In a city where hopes for the future had diminished, a vigorous administration seized upon this project and used it in every presentation to attract new industry and business. The hospital would significantly influence development of downtown Camden, and would provide employment opportunities in an area currently having one of the nation's highest unemployment rates.

The emotional momentum that the hospital has generated cannot be measured. Virtually every segment of the Camden community has been involved. Firms already located in the area, notably the Campbell Soup Company, made sizable expenditures to upgrade their facilities in view of the apparently bright future of the city.

Now many of those hopes have been undermined. Yet the reasons we have been given are meager. The Administration cites the occupany rates of the Philadelphia and Wilmington hospitals. Yet we know because of distance those institutions are often foreclosed to New Jersey residents who do not have available public transportation facilities or must travel great distances by auto. A trip from South

Jersey into the City of Philadelphia represents an undertaking of overwhelming magnitude for a veteran who is ill and often old.

No consideration has been given to the future needs of a veterans population whose demand for medical care will undoubtedly soar. The great bulk of our veterans, those from World War II, now are an average age of 57. We know within a few years that potential medical problems will put a tremendous strain on the VA hospital system.

Finally, Mr. Chairman, I do not feel that adequate consideration has been given to the impact on our citizens in New Jersey of what it means to have government break its promise. This can only further diminish the people's faith in their government.

We feel that the arguments in favor of this hospital are clear and compelling. We feel that the benefits from this construction would be enormous. Therefore, we sincerely ask your support in seeing that this project is indeed carried through to fruition.

Thank you.

Mr. BOLAND. Mr. Traxler?

Mr. TRAXLER. I have no questions. I would like to express my personal thanks to Congressman Florio for providing us with a series of questions put to the VA officials in connection with this matter. They are most helpful.

The record is quite complete now as to the chain of events that led up to this unfortunate situation. You are to be congratulated for your eloquent representation of this area, and bringing the matter forcefully to the attention of our Subcommittee.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. Let me ask about the Cooper Hospital medical school. Is that impossible to proceed without the existence of the VA Hospital.

Mr. DEGNAN. Not impossible to proceed, but unlikely that it will proceed in the same magnitude.

Mr. COUGHLIN. Will that be the only medical school in the State or New Jersey?

Mr. DEGNAN. There is one in Newark. The South Jersey would have been the second major facility. There is an ancillary facility to the Newark one in New Brunswick.

Mr. COUGHLIN. How about the other—I don't know how you measure it, but how vital is the other one to the development of the city?

Mr. DEGNAN. From what we have been told over a long period of time, it was the cornerstone for redevelopment of the downtown area of that city.

I think the president of Campbell Soup, which is the largest employer in that area, will be appearing before the Committee perhaps tomorrow to describe that more specifically.

Mr. COUGHLIN. I want to thank our colleague for the leadership he has taken in this question. He has certainly done an outstanding job.

Thank you, Mr. Chairman.

Mr. BOLAND. Why don't we let Congressman Florio go ahead with his statement? Some of the questions of the members will impact upon both the statements of the Attorney General and Mr. Florio, and possibly the Mayor of Camden.

Jim, why don't you proceed with your statement?

Mr. FLORIO. Thank you very much, Mr. Chairman, members of the Committee. I certainly appreciate the opportunity to come before you and provide you with further information which I hope will be helpful.

I am going to, in the interests of time, summarize as much of my statement as possible, and hopefully not duplicate anything the Attorney General has indicated to you or presented to you, and anything the Mayor of Camden will be presenting to you with regard to the impact on the City of Camden of this unfortunate occurrence.

The City of Camden is an extremely depressed area. This hospital is the cornerstone of the redevelopment efforts. The City of Camden has two large attributes: One is its port facility, and the other is the effort to make the city the medical hub of South Jersey.

The VA Hospital was to be the main point of emphasis with regard to the medical hub development. Cooper Medical Center and the Camden Medical School, are all a part of the development we intended.

I think I can spend the time we have together most productively by not talking about those things, but rather talking about some of the technical questions the VA has raised and that the OMB has raised; concerning the justification for the elimination of the hospital relative to the new allegation that it is not needed. I shall skip straight to that aspect of the question.

The planned Camden hospital was approved by President Ford, in May of 1976, to be a 480-bed hospital facility, with nearly half of the beds providing intermediate geriatric and mental health care. These additional hospital beds and the proposed bed-mix for the Camden facility have long been argued for by the Veterans Administration.

Up until December of last year the Veterans Administration stood behind their feeling that the Camden Hospital was necessary to provide adequate hospital care for area veterans and eligible dependent groups.

As was indicated, I have correspondence in my file dated as late as September of 1977, in which Mr. Cleland emphasizes that the critics of the hospital don't realize the importance of the hospital, and that the hospital is something that should go forward.

The demographic studies in 1974 and 1976 show that existing VA hospital facilities in the area will not be able to meet the growing service demands of the Philadelphia area veterans who could consequently be serviced by the Camden facilities. In those studies, the VA points out that a very low supply of medical and surgical VA beds exists in Philadelphia in comparison to other metropolitan areas around the country with similarly sized veteran populations.

These reports also show that additional nursing home care beds are needed to serve the increasingly aging veteran population in South Jersey and Philadelphia.

Finally, the reports recommend that additional and more accessible psychiatric VA beds be constructed. Veterans must now travel to the overcrowded Coatesville, Pennsylvania, VA Psychiatric Hospital over 40 miles from Philadelphia.

For the veteran who resides in the southeastern counties of New Jersey along the shore, this distance represents a four to five hour motor vehicle trip, thus being extremely prohibitive.

In short, the '76 demographic report by the Veterans Administration recommended the exact facility that was approved by President Ford for Camden, and which has now received $7½ million in appropriations from the Congress.

The Camden hospital facility that is to be built is not just for today's needs, but for the future needs of area veterans. It addresses the major concern of the National Academy of Science's report on the VA hospital system by designating nearly half of its beds for the medical needs of aging population groups, as well as for the psychiatric needs, which was the major thrust of the National Academy of Science's criticism of the VA system.

Ironically, there is a growing support in medical circles that the VA hospital system should come under the Health Systems Agency review, to insure that the construction of the VA hospitals around the country is compatible with health resources in the area.

While this is not required by law, and the Congress has not mandated that the HSAs look at VA hospital facilities, the fact of the matter is that we in South Jersey, wanting to cover all possible criticisms, did submit the VA Hospital proposal to our HSA.

The HSA has reviewed it, has publicly supported it, and has stated that the need exists for the construction of the VA hospital.

The HSA's findings show the construction of the hospital will not result in overbedding in this area. My request was put to Mr. Cleland and to Dr. Chase at this hearing when they testified and they both conceded the fact that the building of the hospital will not result in overbedding in the region, and the hospital would be appropriately used should it be constructed in Camden.

The site of the Camden hospital was determined only after an exhaustive eight-month study—at the cost of $200,000, to the federal taxpayer—by an independent selection team hired by the VA.

The site, which is adjacent to the Cooper Hospital medical complex in Camden, was selected as the most appropriate and accessible location for the hospital in the entire Delaware River Valley region.

In summary, the Congress is now being asked to do a very difficult thing by this Administration. We are being asked to withdraw our support for this VA hospital, which has already received Congressional appropriations, large amounts of state and local resources, and years of arguments by the VA that the facility is necessary to meet the hospitalization needs of South Jersey and Philadelphia area veterans.

The question is obviously: Why has the Administration now reversed the traditional approach to this particular hospital?

In a brief statement made public shortly after the budget decision was released, the Administration stated that their position was consistent with what they understood to be contained in a forthcoming GAO report to the Congress.

This GAO report recommends that the Camden hospital not be built because of their belief—the GAO's belief—that existing VA facilities in Delaware, Baltimore, Coatesville, can serve the needs of the veterans. They could not have thoroughly considered the distances involved.

The GAO based their conclusion on the assumption that average patient lengths of stay at VA hospitals are excessive. If lengths of stay at VA hospitals are made compatible with the average length of stay at community hospitals, the GAO reasons that the Camden hospital will not be needed, and that the Philadelphia area veterans will then be served by an adequate number of VA acute-care hospital beds.

In essence, what the GAO report states is that the veterans time in hospitals is too long. Accordingly, the implication is that if some way we can get veterans out of the hospitals quicker, more beds will be free, and there will be no need to build the Camden hospital or, for that matter, by extending any other VA hospitals.

Incidentally, the computer bed model that is employed by the GAO is not even agreed to by the VA at this point. The problem with such reasoning is that there are real and legitimate reasons why VA hospital patients stay longer than an average patient stays in a community hospital, reasons which have long been recognized, at least up until December of last year, by the VA and by the Congress, and have been totally ignored in the GAO report on Camden.

The population served by the VA hospitals are financially poorer than those served by community hospitals. They are usually older than the general population, and have longer histories of disabling diseases and specific types of physical handicaps.

Also, they must travel farther to receive medical care. Because of this latter fact, there is a reluctance by the VA to discharge patients until they are absolutely sure that the maximum amount of care has been provided to the patient. Premature discharge would require that the veteran return to the VA hospital to receive further care, placing additional financial burdens and other discomforts upon the patients that they would not be required to endure were they non-veterans placed in a neighborhood community hospital.

The differences between VA hospital and community hospital patient length of stays are found because of unique differences in the type of patients that the VA is responsible for. One must deal with the fact of the age differential, the fact the VA hospital population has a higher incidence of psychiatric disorder, and the fact that the veterans have a higher incidence of alcoholism. The treatment of alcoholism entails intermediate care, requiring a longer length of stay in the facility.

On the face value, the GAO report does not provide defensible arguments against the construction of the Camden hospital.

With the release of the Administration's budget decision to cancel the Camden area hospital and which came in before the GAO report was released, I and other New Jersey legislators, as well as the mayor of the City of Camden, and the governor of New Jersey, were curious as to the Administration's rationale was for this policy change.

I assumed this decision was thoroughly discussed by Administration officials, and that support materials were readily available. I was anxious to review the materials, in order to better understand the decision.

My request to the Administration for this information went unanswered for two months. Only after a direct request to the President, did my repeated inquiries finally result in the release of a 15 page report from the Director of OMB.

The report by Director McIntyre has given us a very disturbing clue as to why the Administration has withdrawn their support for the construction of the Camden hospital.

The OMB report states factually that a majority of discharges from the Philadelphia and the Wilmington VA Hospitals in Fiscal Year 1977 were patients suffering from nonservice-connected disabilities.

The report further makes note of the "Veterans Omnibus Health Care Act of 1976," which requires the VA to give priority service to veterans with service-connected disabilities in their outpatient clinics.

The report further states OMB's position that sufficient capacity exists within the Philadelphia VA hospital inpatient system to care for top priority service-disabled veterans.

When taken together, I think the conclusion is fairly clear: The bottom line justification for the elimination of the Camden VA Hospital is that OMB has taken it upon itself the authority to determine the degree of the VA's responsibility for treatment of all eligible veterans and their dependents.

It is clear to me that the Administration's decision to terminate the VA Hospital in Camden ignored the VA's own data which indicates that the Camden facility is needed to serve the hospitalization requirements for all eligible veterans and dependent groups.

Instead, OMB has made independent judgment, which in my opinion is not their responsibility to make, that only the hospital needs of service-connected patients will be considered when reviewing VA facility construction in the Philadelphia area.

In essence, what they are saying is that the only requirement is a review of facilities for their adequate treatment of veterans' needs when those veterans have service-connected disabilities.

This constitutes a legislative policy change that OMB, in my opinion, has no legal authority to decide. The statute referred to by OMB to justify the administration's decision merely establishes priorities of treatment for outpatient services administered by the VA. This statute does not in any way convey legislative authority for the elimination of the VA's mission to provide hospital care to all eligible veteran and dependent groups who are currently receiving such benefits.

Should the Congress ultimately decide that VA hospital capacity should be sufficient only for service-disabled veterans, then the Administration's decision might in some way be justified; but the Congress has not done so.

However, to date, the Congress has an existing policy which, taken with the VA's prior position, indicates that the VA hospital facilities in Camden and Philadelphia are not suited and not satisfactory to deal with the projected needs of veterans.

I would like to urge the subcommittee to carefully review the OMB material that has been made available to me. I assume it has been made available to you. I believe that you will reach the same conclusion concerning the justification for the cut in the eyes of OMB.

As this Committee may know, as I have informed them of the fact, the House Veterans Affairs Committee, chaired by the Honorable Ray Roberts, has recently recommended to the Budget Com-

mittee their full support for the continuation of the Camden Hospital project.

Similarly, just last week Senator Cranston's Senate Veterans Affairs Committee, in their report to the Senate Budget Committee, has recommended that the construction of the hospital proceed, and that the commitment be honored.

The hospital's original schedule called for the majority of construction money to be requested in the Fiscal 1980 budget year. Construction was to begin in 1981, with completion by 1983.

I am not requesting that this subcommittee approve any new money this year for the Camden Hospital. I would like to request that report language be approved which would prohibit the Administration from reprograming any moneys already appropriated for Camden to other VA projects.

My understanding of the Administration's position is that they are requesting to utilize the money that the Congress has already appropriated for the Camden Hospital for other projects.

I am also requesting the subcommittee approve report language that would urge the Administration to get on with work at the Camden site. Over $7 million appropriated by the Congress for engineering and design work has not yet been spent.

Though I am not interested in forcing the issue, I think the issue could legitimately be raised with regard to the Antideficiency Act, and also regarding whether that money has already been semi-impounded.

Any further delays will postpone the completion of the hospital and jeopardize the medical care needs of area veterans.

I appreciate the Committee's tolerance of my forwarding to them a great amount of material. I certainly appreciate the Committee's willingness to be receptive to the thoughts, not only for myself, but other area officials, as well as business community leaders and medical community leaders who will be testifying.

[The complete statement follows:]

HOUSE APPROPRIATIONS SUBCOMMITTEE ON
HUD - INDEPENDENT AGENCIES

April 11, 1978

TESTIMONY OF CONGRESSMAN
JAMES J. FLORIO

Mr. Chairman, members of the Subcommittee, I am pleased to have this opportunity to appear before you.

My testimony today will concern itself with the Administration budget decision to cancel the construction of the Camden, New Jersey Veterans Administration hospital. I believe that this decision will jeopardize the health care of veterans in the Philadelphia, South Jersey area. It is this consideration that must be of most concern to this Subcommittee.

While the Camden facility was to provide needed hospital facilities for veterans in the Philadelphia metropolitan area, there is no question that it was to serve a secondary function as the cornerstone of Camden's redevelopment efforts.

Today Camden stands as one of the most economically depressed cities in our nation. But substantial redevelopment work is now getting underway. A waterfront complex, a government center, and a regional transportation terminal are just some of the projects that are receiving City or State funds; in large part because of the Veterans Administration committment to the City. Jobs are coming back into Camden, and there is a renewed spirit of the people. The withdraw of the hospital cannot insure that these advances can be continued.

Moreover, the V.A. hospital was to serve as the focal point for Camden's transfusion into a major regional medical center. The V.A. hospital, together with area community hospitals, was intended to work with the newly established Camden-based South Jersey Medical School in the training of qualified physicians.

Such cooperation would have benefitted many South Jersey communities which presently suffer from a shortage of physicians. The absense of the V.A. hospital will make it more difficult to retain trained physicians in the South Jersey area.

Large amounts of State and City of Camden monies have already been expended in anticipation of the construction of the hospital. These are scarse resources which cannot be recovered.

There is, in fact a whole other story to tell about what this hospital means to the City of Camden and the people of South Jersey. Governor Byrne, Mayor Errichetti later this afternoon, and other community leaders tommorrow, will describe to the Subcommittee the significant impact this proposed hospital is having and will have in the future on the entire South Jersey area.

however, would like to confine my remarks as to what this hospital proposes in the way of medical care to Philadelphia area veterans.

The planned Camden Veterans Administration hospital, approved by President Ford in May of 1976, is to be a 480 bed facility - with nearly half of the beds providing intermediate, geriatric, or mental health care.

These additional hospital beds, and the proposed bed-mix for the Camden facility, have long been argued for by the Veterans Administration. Up until December of last year, the Veterans Administration had stood behind their findings that the Camden hospital is necessary to provide adequate hospital care to area veterans and eligible dependent groups.

Demographic studies by the V.A., in 1974 and again in 1976, shows that existing V.A. hospital facilities will not be able to meet the growing service demands of Philadelphia area veterans. In those two studies the V.A. points out that a very low supply of medical and surgical V.A. beds exist in Philadelphia in comparison to other metropolitan areas with similarly sized veteran populations.

These reports showed that additional nursing home care beds are needed to serve the increasingly aging veterans groups in South Jersey and Philadelphia.

Finally, the reports recommended that additional and more accessible psychiatric V.A. beds be constructed. Veterans must now travel to the over-crowded Coatesville, Pennsylvania V.A. Psychiatric hospital, over 40 miles from Philadelphia. For a veteran and his family who reside in the south-eastern counties of New Jersey, this distance is extremely prohibitive.

In short, the 1976 demographic report by the Veterans Administration recommended the exact facility that was approved by President Ford for Camden, and which has received 7.5 million dollars in appropriations from the Congress.

The Camden hospital is a facility that is to be built not just for today's needs, but for the future needs of Philadelphia area veterans. It addresses the major concern of the National Academy of Sciences report on the V.A. hospital system by designating nearly half of its beds for the medical needs of aging population groups and psychiatric patients.

Moreover, there is growing support in the health community that V.A. hospitals should come under Health Systems Agency review - to insure that the construction of a V.A. hospital is compatible with other health resources in the region.

While this is not required by law, the Southern New Jersey H.S.A. did review the Camden V.A. hospital, and has publicly supported its construction. The H.S.A.'s findings show that the construction of the hospital will not result in an over-bedding of the area.

The site of the Camden hospital was determined only after an exhausting eight month study by an independent selection team. The site, which is adjacent to the Cooper Medical Hospital complex in Camden, was selected as the most accessible location for the hospital in the entire Delaware River Valley region.

In summary, the Congress is being asked to do a very difficult thing by the Administration. We are being asked now to withdraw our support for a V.A. hospital which has already received Congressional appropriations, large amounts of State and local resources, and years of arguments by the V.A. that the facility is necessary to meet the hospitalization needs of Philadelphia area veterans.

Why does the Administration now oppose the construction of the Camden Veterans Administration hospital?

In a brief statement made public shortly after the budget decision was released, the Administration stated that their position is consistent with what they understood to be contained in a forthcoming GAO report to the Congress.

This Government Accounting Office report recommends that the Camden hospital not be built because of their belief that existing V.A. facilities can serve the hospital needs of Philadelphia and South Jersey veterans. The GAO basis this conclusion on their assumption that average patient lengths of stay at V.A. hospitals are excessive. If lengths of stay at V.A. hospitals are made compatible with the average length of stay at community hospitals, the GAO reasons that the Philadelphia area will then be served by an adequate number of V.A. acute-care hospital beds.

There is no doubt that improvements can be made in reducing patient time at V.A. hospitals. Improvements resulting in better efficiency and cost-effectiveness can be made in every medical program sponsored by the Federal Government.

But there are real and legitimate reasons why V.A. hospital patient stays are longer that comparable patient stays at community hospitals. Reasons which have long been recognized by the Veterans Administration, the Congress - and ignored in the GAO report on Camden.

The population served by V.A. hospitals are finacially poorer than those served by community hospitals. They have longer histories of disabling diseases and physical handicaps. And they must travel farther to receive medical care.

V.A. hospitals are, therefore, reluctant to discharge patients until they are absolutely sure that a maximum amount of care has been provided in response to that patient's disorder. Premature discharges would require the veteran patient to return to the V.A. hospital to receive further care - placing additional financial burdens and other discomforts which many veterans cannot endure.

The differences between V.A. hospital and community hospital patient length of stays are found because of the unique differences in the type of patients they are responsible for. On face value, the GAO report does not provide defensible arguments against the construction of the Camden hospital.

With the release of the Administration's budget decision to cancel the Camden hospital, I and other New Jersey legislators were very curious as to the Administration's rationale for this policy change.

had assumed that this decision was thoroughly discussed by Administration officials, and that support material was readily available. I, of course, was anxious to review this material in order to better understand the decision.

My requests to the Administration for this information went unanswered for two months. Only after a direct request to President Carter did my repeated inquiries finally result in the release of a 15 page report from the Director of the Office of Management and Budget.

This report by Director McIntyre has given us a very disturbing clue as to why the Administration has withdrawn their support for the construction of the Camden hospital.

The OMB report states factually that a majority of discharges from the Philadelphia and Wilmington V.A. hospitals in fiscal year 1977 were patients suffering from non-service connected disabilities. The report further makes note of the "Veterans Omnibus Health Care Act of 1976" which requires the V.A. to give priority service to patients with service-connected disabilities in their out-patient facilities.

This report further states the OMB position that sufficient capacity exists within the Philadelphia V.A. hospital to care for the top-priority service-disabled veterans.

When taken together, it is clear that the "bottom-line" justification for the elimination of the Camden V.A. hospital is that OMB has taken upon itself the authority to determine the degree of the V.A.'s responsibility for treatment of veterans and their dependents.

It is clear to me that the Administration's decision to terminate the Camden hospital ignored the V.A.'s own data which indicates that the Camden facility is needed to serve the hospitalization demands of all eligible veteran and dependent groups.

Instead, the Office of Management and Budget has made the independent judgement that only the hospital needs of service-connected patients will be considered when reviewing V.A. facility construction in the Philadelphia area.

This constitutes a legislative policy change that OMB has no legal authority to decide.

The statute referred to by OMB to justify the Administration's decision, merely establishes priorities of treatment for outpatient services administered by the V.A. This statute does not convey legislative authority for the elimination of the V.A.'s mission to provide hospital care to all eligible veteran and dependent groups who are currently receiving such benefits.

Should the Congress in the future legislate that V.A. hospital capacity should be sufficient only for service-disabled veterans, then the Administration's decision relative to Camden would be sustainable.

However, to date the Congress has not chosen to do so. Until such time, the Administration is not justified to undertake the policy change that is reflected in their Camden V.A. hospital decision.

I would like to urge the Subcommittee to carefully review the OMB material that has been made available to me. I believe that you will reach the same conclusion that I have.

As this committee may know, this year the House Veterans Affairs Committee, chaired by the Honorable Ray Roberts, has recommended to the Budget Committee their full support for the continuation of the Camden hospital project. Similarly, the Senate Veterans Affairs Committee, in their report to the Senate Budget Committee, has recommended the construction of the hospital.

The hospital's original schedule called for a majority of the construction money to be requested in the fiscal year 1980 budget. Construction was to begin in 1981, with completion by 1983.

I am not asking the Subcommittee to approve any new monies this year for the Camden hospital. I would like to request that report language be approved which would prohibit the Administration from reprogramming any monies already appropriated for Camden, to other V.A. projects.

I am also requesting the Subcommittee to approve report language which would urge the Administration to get on with the work at the Camden site. Over seven million dollars appropriated by the Congress for engineering and design of the Camden hospital has not been spent. Any further delays will postpone the completion of the hospital and jeopardize the medical care needs of area veterans.

Again, I would like to thank the Chairman for this opportunity, and I am prepared to answer any questions that the Subcommittee may have.

Thank you

Mr. BOLAND. Is the mayor here yet?

Mr. FLORIO. He is to be here at 11:15.

Mr. BOLAND. You presented to this Committee a document which is rather full and complete, and states the position of the City of Camden rather well.

Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

I certainly would like to add my remarks to those of Mr. Traxler, and to congratulate our colleague on a thorough and comprehensive presentation to this Committee and to congratulate all of the people in New Jersey who cooperated to such a high degree to achieve a good, sound project. I think it is almost a model project.

Are the research facilities fairly extensive in the hospital complex?

Mr. FLORIO. I am sorry?

Mrs. BOGGS. The research facilities.

Mr. FLORIO. This, as you said, model was exactly what we intended this hospital to be, a model in utilizing existing facilities, in utilizing service agreements, in utilizing shared facilities between the adjacent Cooper regional medical center and the VA.

As a matter of fact, the VA and the hospital people may say this, that the VA requested certain design modifications in the Cooper Hospital proposed expansion so they could better integrate the facilities, and thereby be cost-effective.

Likewise, the agreements with the medical school were to share the research opportunities with the Veterans Hospital. This was, in my opinion, to be a demonstration model to deal with those criticisms that have been leveled against the VA hospital system.

We were going to make this cost-effective. This was going to respond to all of the criticisms that are coming out of the Congressional Budget Office, out of the National Academy of Sciences, out of the GAO.

Now, at the eleventh hour, to scrap the potential for a model seems to be not as thoughtful as it could be.

Mrs. BOGGS. Thank you so much.

Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Alexander?

Mr. ALEXANDER. Thank you, Mr. Chairman.

Thank you, Congressman Florio, for feeling the same as I do, that we owe a permanent debt to our veterans. I agree with you that we should be spending more to service our veterans and not less.

Your effort has been made to—in behalf and in support of the hospital of Camden. It is the most impressive I have observed in the ten years I have been in the Congress. It is indeed a signal effort. Your facts are clear, and your arguments are convincing.

I appreciate very much the contribution you made to this session.

Mr. FLORIO. Thank you.

Mr. BOLAND. If there are no other questions, we will move on to the next witness. We are very grateful for your appearance Congressman Florio, and for yours, Mr. Attorney General. You have presented the Committee with some valuable material.

Mr. FLORIO. Thank you very much.

PORTLAND/VANCOUVER VA HOSPITAL

WITNESS

HON. ROBERT DUNCAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Mr. BOLAND. We are delighted to welcome our friend and colleague from the State of Oregon, a member of this Committee, Congressman Duncan with reference to the Portland/Vancouver VA hospital.

Mr. DUNCAN. May I assume the Committee is fairly well informed about the nature of this dispute?

Mr. TRAXLER. I think that's a fair statement.

Mr. COUGHLIN. That may be an understatement.

Mr. BOLAND. Thats' an understatement.

Mr. DUNCAN. If so, it will cut my statement down. It is very brief.

Mr. BOLAND. The only problem we have is what site do you favor?

Mr. DUNCAN. The question is size and site. It isn't build or no-build. I have a fairly brief statement.

Mr. BOLAND. Go ahead with it.

Mr. DUNCAN. It has now been well over a year since I became involved in the dispute over the size and location of the proposed Veterans Hospital in the Portland area. As you know, my original and uncritical position was in support of the Marquam Hill site. I then began to study the reports and facts, and concluded that the Veterans Administration's proposal was too large and that their preference for a site was wrong.

The reasons you know as well as I, and I shall not reiterate them. Suffice it to say that nothing that has occurred since has altered my judgment. On the contrary, every report, every study, has reinforced my conclusion.

Last year this Committee very wisely deferred action on the appropriation request and directed the Investigative Staff to make a study and a report. Although there were partisan interests who disagreed with their conclusion, in my judgment the study contributes further to the long-standing standard of excellence and impartiality which the Investigative Staff of this Committee over the years has earned. I urge the Committee to consider the facts assembled and the conclusions reached in the report. We will not go far wrong if we do.

Efforts have been made, some rather successfully, to label the controversy as a political one. Certainly there can be political repercussions, but I suggest that this disagreement is political only in the sense that opponents and proponents are striving to exercise wisdom on the part of government and to make a correct decision. I care not one whit on which side of the river the hospital goes, or in whose state or congressional district, provided that it is the optimum place available.

In an area already over-built with civilian beds, we ought not to further surcharge the community with unnecessary Veterans Administration beds. In a time of unprecedented and continuing budget deficits, we ought not to spend $27.2 million more than required to give the veteran the best service. That figure is the Committee's own figure. The VA has reluctantly admitted about a $9 million difference.

26-648 O - 78 - 2

Incidentally, I just left Mr. McIntyre. We reviewed the all too familiar figures which show that only 5 percent of this budget is controllable. This hospital, it seems to me, is a part of that 5 percent. If we don't exercise our judgment on each one of these items as they come along, there is no way we can ever reduce this budget.

In a time when the President, and the Nation, is anxious to contribute to the urban growth and rehabilitation, we ought to maximize with this facility such impact on neighborhoods, municipal services, transportation, and the environment, rather than impose a negative impact on an already over-crowded, over-burdened, difficult-to-reach and expensive-in-which-to-build neighborhood.

And we ought not to ignore the friendly atmosphere conducive to the recovery, and the mutual dependency of institution to communities, and communities to institution, which has grown up at the Barnes Hospital, even though, there, some small additional amounts that might be required to retain beds for long-term low-intensity care.

The only argument for placing this new facility on Marquam Hill, it seems to me, is not factual but perceived. It is, nonetheless, real because it is frankly not so important what the facts are as it is what people's perception of the facts may be.

In this instance, there is a very real apprehension on the part of the University of Oregon's Health Sciences Center of injury to that institution if the VA moves off the Hill. Estimates vary according to the intensity of the dispute, from serious to fatal.

I find no facts to support this. To the contrary, the Investigative Staff report refutes this perception beautifully. In other cities intervening distances greater than those involved here have not had an adverse impact. I have found no evidence whatsoever that the close and mutually beneficial relationship existing between the VA and the medical school on Marquam Hill will not easily prevail if Emanuel is selected as the site.

I have no doubt that in future years—far sooner than will readily be admitted—the Health Sciences Center itself will begin to disperse its facilities elsewhere. Already there is pressure to move the outpatient clinic off the Hill and "down where the people are." I venture to suggest that the State will, in time, look at Wilsonville or at Emanuel (if this committee is so inclined), for construction of capital facilities as additions or replacements to the Health Sciences Center become necessary. In time the entire complex could be reunited at a more accessible, more acceptable, and less expensive site.

Only one more comment need be made. In the last year a responsible body of opinion has developed, ably led by Commissioner Donald Clark, by the late Dr. Forrest Rieke, and by Dr. Peter Nathan, that the veterans can be better cared for in the mainstream of private medicine in this country. I must say that in the long run I am inclined to agree with this view.

In the short run, however, I believe that the nature of our commitment to the veteran, and the unsettled state of private medicine in the face of the impending national health care, requires that we continue to respond to the service-connected disability with the facilities of the Veterans Administration.

I have said before, and I say again, that sooner or later decisions must be made. I seek in good faith to exercise my best judgment in contributing to decisions.

I also believe that once a decision is made all must support rather than seek to frustrate it. I have made this commitment before, and I renew it today with my best wishes that the Committee reach a judgment in the best interests of the veteran, the taxpayer and the local community.

Mr. BOLAND. Thank you Congressman Duncan, for a very, very fine statement and one that, of course clearly indicates your knowledge of the problem there; and as you have indicated, there are specific differences of opinion in this area.

Mr. DUNCAN. Mr. Chairman, those differences were intended to be resolved hopefully by the Investigative Staff of this Committee.

I pledged even before that report was out, with no knowledge, as you know, of what they might recommend——

Mr. BOLAND. That report has come under questioning, of course, by those who don't agree with it. That's expected. That happens all the time.

Mr. DUNCAN. Of course.

Mr. BOLAND. We reviewed that report rather closely; and, of course, have questioned those who have questioned the conclusions that have been reached by that report. That report, of course, will play a significant part in, I presume, the decisions of the members of this Subcommittee on precisely what resolution we will come to on it.

I do want to compliment you for your position. I think it's been a very fair one. Its been one that has been helpful to the Committee and at the same time it's been one that I am sure has been helpful to the area involved and the people involved. Again let me repeat, I think your fairness in this—I am not sure it is a controversy—has been exemplary.

Mr. DUNCAN. It is a controversy, Mr. Chairman.

Mr. BOLAND. Your fairness in this discussion, I think, is exemplary. I want to commend you for it.

Mr. DUNCAN. Some day you might come to Portland and explain it to some who disagree with that conclusion.

Mr. BOLAND. If I do I will come after it is all built.

Mr. DUNCAN. Mr. Chairman, might I ask for a submission for the record, a letter I received yesterday from the Mayor of Portland, continuing his support that Emanuel is the best site, although indicating his willingness to compromise if something can be found.

I have a summation of all of the reports chronologically that have been made on this question; and including the recommendations which were not a study of the united veterans' groups of Oregon. They all recommend Marquam Hill. They have made no study on that.

I might suggest that my perception of that is they fear if they don't support what the Medical School wants, there will be nothing.

Mr. BOLAND. Sure.

Mr. DUNCAN. A further document which is a resolution of the Planning Commission of the City of Portland.

Mr. BOLAND. The three documents will be included in the record.

Mr. DUNCAN. Thank you, Mr. Chairman.

[The documents follow:]

APRIL 11, 1978.

To: The Honorable Robert Duncan.
The Honorable Les AuCoin.
The Honorable Al Ullman.
The Honorable James Weaver.
From: Mayor Neil Goldschmidt.
Subject: Portland VA Hospital Siting.

The quality of health care for veterans is the paramount concern, but is equally well served by Emanuel, Marquam, or other sites. The issues for the City are of adverse neighborhood impact, traffic, air quality, pre-emption of housing development, geologic stability, and ease of access for Portland veterans. To these, Congress must add comparative costs of construction. All indicate Emanuel as the best site, although I am personally open to compromise (including location of certain facilities at Barnes Hospital) that would not increase the net adverse impact on the Marquam Hill neighborhood of all medical facilities located there.

Sincerely,

NEIL GOLDSCHMIDT.

CHRONOLOGICAL
SUMMARY OF VA DOCUMENTS

NAME OF DOCUMENT	CONDUCTED BY	REQUESTED BY	DATE	KEY POSITION	CONCLUSION: EH	MH	No-Build
1. MASTER PLAN - VA HOSPITAL; Project No. 106-INT-002 PORTLAND/ VANCOUVER	Griffin Balzhiser Affiliates Griffin Balzhiser Lester Gorsline Associates The Rex Allen Partnership	Veterans Administration	Comp. late '75 Released 2/76	Final outcome of evaluation based on medical/ programs/accessibility/functional and physical/ environment rated the Marquam Hill #10 site (rated good) 62.67 points (rejected by the VA); #7/6 site (rated good) 56.07 points (accepted by the VA). The Emanuel site (rated excellent) at 73.03 points was rejected by the VA. Criteria used was pre-established by consultants and the VA. Page 67 of the 10/77 Congressional investigation reports "consultants would have recommended the Emanuel site."	X (by criteria)	X (by VA decision)	
2. CONGRESSIONAL HEARING - HOUSE OF REPRESENTATIVES COMMITTEE ON VETERANS AFFAIRS SUB-COMMITTEE ON HOSPITALS	Rep. David E. Satterfield, III, Chairman, and Rep. Robert Duncan and Rep. Mike McCormack	Representatives McCormack and Duncan	2/14/76	Prior to the 2/14 hearing, Rep. Duncan supported the Marquam Hill site. Due to overwhelming evidence presented, Duncan and McCormack concluded the best sites would be Emanuel/Vancouver. The late Phillip E. Howard, professional aide to the House Committee on Veterans Affairs stated, "We think they (the VA) ought to go back to the drawing board. The committee would not support the Marquam Hill site."	X		
3. UNITED VETERANS GROUPS OF OREGON	American Legion Disabled American Veterans, Military Order of Purple Heart, United Spanish American War Veterans, VFW and Veterans of World War I	University of Oregon Health Sciences Center	4/23/76	Support of Marquam Hill site. (This position was formulated prior to any studies on the siting question.		X	
4. LETTER TO PRESIDENT GERALD R. FORD	City of Portland	Mayor N. Goldschmidt Comm. C. Jordan Comm. C. McCready	4/26/76	"We urge that the new hospital, or a portion of the new medical facility, be located in Portland. Further, we feel if there is only one VA facility to be built in Portland that it be built on the Emanuel Hospital site."	X		
5. LETTER TO PRESIDENT GERALD R. FORD	Board of County Commissioners, County of Clark, State of Washington; Vancouver City Council	E. B. Smith, Chairman; Dean Cole, Commissioner; Dick Granger, Commissioner; Jim Gallagher, Mayor	5/24/76	"Fully endorse the development of a comprehensive acute care hospital for the care of chronic diseases situated in Vancouver and a specialized medical center on the Emanuel Hospital campus, to replace the existing facilities."	X		

NAME OF DOCUMENT	CONDUCTED BY	REQUESTED BY	DATE	KEY POSITION	CONCLUSION: EH	MH	No-Build
6. EMANUEL HOSPITAL - ITS QUALITY AND ABILITY TO SERVE THE VETERAN	Emanuel Hospital	City of Portland and Congressional Staffs	6/1976	"Emanuel Hospital, as well as Providence Medical Center, St. Vincent Hospital and Medical Center, and Good Samaritan Hospital and Medical Center, are major metropolitan Portland teaching hospitals, providing the same excellence of high quality of patient care and life-saving programs as the UOHSC."			
7. LETTER TO THE HON. ELMER B. STAATS, COMPTROLLER GENERAL OF THE U.S. - GENERAL ACCOUNTING OFFICE	- - - -	Senators Mark Hatfield, Warren Magnuson, Henry Jackson and William Proxmire; Representatives Robert Duncan and Mike McCormack	11/19/76	Request for an investigation to determine whether the VA is taking adequate steps to assure compliance with the Congressional mandate resulting from enactment of PL 94-370, fiscal year 1977 appropriation for the Department of HUD and Independent Agencies.			
8. REVIEW OF VA SITE SELECTION FOR A PORTLAND/VANCOUVER REPLACEMENT HOSPITAL	Comptroller General of the U.S. - GAO	See Above (No. 7)	3/4/77	"The GAO concluded that their investigation into the Portland/Vancouver Veterans Administration Hospital site selection process disclosed inadequate and highly questionable work by the VA. The GAO report clearly documented the fact that the VA had not responded to the mandate of the Congress in requiring the VA to justify fully their site selection."			
9. REASSESSMENT OF THE VA RECOMMENDATION ON THE VAN PORTLAND REPLACEMENT HOSPITAL	VA Department of Medicine and Surgery	GAO and Key members of the Senate Appropriations Committee	1/77	"The existing facilities should be located at or near the UOHSC. The existing Portland VA hospital site is the most beneficial site for the facility."		X	
10. REPORT ON THE AFFECTS OF THE VA MEDICAL COMPLEX ON CITY SERVICES, TRAFFIC VOLUMES AND ACCESS, AND NEIGHBORHOODS	City of Portland	Mayor N. Goldschmidt, Commissioners C. Jordan, C. McCready and F. Ivancie	2/24/77	Provides a local perspective of concerns.	X		
11. LETTER TO MAX CLELAND, ADMINISTRATOR OF THE VETERANS ADMINISTRATION	City of Portland, City of Vancouver, Clark County Board of Commissioners	Mayor N. Goldschmidt, Commissioners C. Jordan and C. McCready; Mayor J. Gallagher, Council members Besserman, Okornowski, Lehman, Hollister, Justin; County Commissioners Granger, Cole and Smith	3/8/77	"Our review of the available information has led us to support the two hospital system in this metropolitan area, consisting of an acute care facility located at the Emanuel site in Portland, and an acute sub-care facility located at the Barnes Hospital site in Vancouver."	X		

NAME OF DOCUMENT	CONDUCTED BY	REQUESTED BY	DATE	KEY POSITION	CONCLUSION: EH	MN	No-Build
12. A-95 REVIEW OF PROPOSED VA HOSPITAL ON MARQUAM HILL	Columbia Region Association of Governments	VA, Washington, D.C.	3/24/77	Expresses concern over the existing land use problems on Marquam Hill and supports the Emanuel site.	X		
13. A-95 PROPOSED CONSTRUCTION OF THE VAH	N.W. Oregon Health Systems (Health Systems Agency)	VA	3/31/77	Raises concerns regarding exclusive hospital system for veterans. Suggests inclusion of veteran patients into mainstream of medical care.			X
14. STUDY OF HEALTH CARE FOR AMERICAN VETERANS	National Academy of Sciences, National Research Council (pursuant to Sec. 201 (c) of PL 93-82)	Committee of Veterans Affairs, U.S. Senate	6/7/77	The report recommends VA policies and programs should be designed to permit the VA system to ultimately be phased into the general delivery of health services in the communities across the country.			
15. A COMPARATIVE SITE ANALYSIS - VAH, PORTLAND, OREGON	Wilsey & Ham	City of Portland (Planning Commission)	8/1/77	"Based on better traffic and transit access and the opportunity to provide extremely positive support to both federal and local programs for community development, the Planning Commission of the City of Portland recommends, that the VA of the Congress of the United States site the proposed new VA hospital facility at the Emanuel campus."	X		
16. A REPORT TO THE COMMITTEE ON APPROPRIATIONS, U.S. HOUSE OF REPRESENTATIVES, ON PLANS FOR REPLACEMENT OF THE VA HOSPITALS IN PORTLAND, OREGON AND VANCOUVER, WASHINGTON	Surveys and Investigations Staff of the Committee on Appropriations of the U.S. House of Representatives	Committee on Appropriations, U.S. House of Representatives	10/77	Supports without qualification the Emanuel Hospital site.	X		
17. PRELIMINARY COMMENTS BY THE ADVISORY COUNCIL OF THE UNIVERSITY OF OREGON HEALTH SCIENCES CENTER ON CURRENT REPORT OF HOUSE APPROPRIATIONS COMMITTEE STAFF ON LOCATION OF NEW VA HOSPITAL FACILITY IN PORTLAND AREA	University of Oregon Health Sciecnes Center	Advisory Council of UOHSC	11/1/77	Questions qualifications of investigatory staff in reviewing project and disputes Congressional investigation.		X	
18. COMMENTS OF THE VETERANS ADMINISTRATION	VA	VA	11/77	Continues to support replacement of facility on Marquam Hill. Disputes findings of the Surveys and Investigations staff of the Committee on Appropriations.		X	

NAME OF DOCUMENT	CONDUCTED BY	REQUESTED BY	DATE	KEY POSITION	CONCLUSION: EN	MH	No-Build
19. ABC, CHANNEL 2, PORTLAND, "TOWN HALL"	Channel 2	Community Concern	12/77	The University of Oregon Health Sciences Center, Veterans Hospital and local veterans groups orchestrated a boycott of TOWN HALL, a one hour open public discussion. The director of the program states, "Everyone understands that we had quite innocently stepped into a hornets' nest, and that the boycott was borne out of fear of exposing some carefully shielded fallacies, rather than out of "confusion about the subject of the forum." Community discussion primarily concerned need for the facility, but concluded that were it built, it should be built at Emanuel.	X (if built)		
20. "ONE MAN'S OPINION"	Peter Nathan, M.D., Portland, Oregon	- - - - -	1/11/78	"In an attempt to find out exactly how Oregon physicians felt about a new VA hospital, I (Peter Nathan), with the cooperation of other physicians, hospital staff presidents and administrators, conducted a poll at either general staff meetings or by mail. Participation was not only impressive but statistically valid since 760 responses were received out of about 1,000 randomly distributed questionnaires. Only 25% voted for a new VA hospital."			X
21. FURTHER REBUTTAL BY THE UNIVERSITY OF OREGON HEALTH SCIENCES CENTER	UOHSC	UOHSC	1/1978	Document refutes work done by House Appropriations Committee.			
22. HEARINGS OF THE U.S. HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEE SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES	Rep. Edw. Boland	Same	2/9/78	Congressman Boland continued his support of the findings of the Committee's Congressional investigation. Continues support of the Emanuel site.	X		
SUPPORTING DOCUMENTATION	Rep. Edw. Boland	Same	12/16/77	Refutes the VA's rebuttal to the Congressional investigation in the areas of cost difference between Marquam Hill and Emanuel; dispels the myth that quality of care is predicated upon proximity; VA's site selection process; Oregon veterans site preference; concerns of neighborhood organizations on Marquam Hill.	X		

CONCLUSION: Every study or document prepared by other than the VA or the University of Oregon Health Sciences Center has either supported the Emanuel site, or a no-build position. Only those studies conducted by the VA, or the UOHSC, or at the direction of the VA/UOHSC have supported the Marquam Hill site.

3/1/78

RBDuncan Document No. 3, 4/11/78

RESOLUTION ON THE SITING OF THE PORTLAND VETERANS ADMINISTRATION HOSPITAL AS ADOPTED BY THE CITY OF PORTLAND PLANNING COMMISSION, August 9, 1977

"Based on the better traffic and transit access and the opportunity to provide extremely positive support to both federal and local programs for community development, the Planning Commission of the City of Portland recommends, that the Veterans Administration and the Congress of the United States site the proposed new Veterans Administration Hospital facility at the Emanuel Hospital campus.

"Recognizing, however, that the VA Hospital has been on Marquam Hill for a number of years and has extremely close ties with the University of Oregon Medical School, and that these factors and valid reasons relating to medical care may become overriding issues in this siting decision, the Planning Commission asks the Veterans Administration to abide by the following conditions in their future planning should the decision be made to remain on Marquam Hill: (1) to maximize use of off-site, out-patient facilities and site Portland facilities only after a thorough review by the Planning Commission; (2) state a willingness to use staggered starting times, to reduce peak hour traffic flow, and to work with Tri-Met in car pool planning to insure maximum of public transit by employees and patients; and (3) furthermore, that as a sign of cooperation and goodwill, the University of Oregon Medical School participate with the Veterans Administration and the Planning Commission in the siting of outpatient clinics and other facilities and that both parties express a willingness to work with the City and other interested parties toward zero growth in vehicular traffic to the year 1990."

Above Resolution language validated by telephone with Mr. Dennis Wild, Chief of Neighborhood Planning and Special Projects, Portland Bureau of Planning. (503) 248-4509

Joe L. Pecore
Administrative Assistant
to Congressman Robert B. Duncan

April 10, 1978

Mr. BOLAND. Will you identify for the Committee Commissioner Clark, the late Dr. Forrest Rieke and Dr. Peter Nathan?

Mr. DUNCAN. Dr. Peter Nathan is a practicing physician in Portland. He is on the staff of Emanuel.

Mr. BOLAND. I take it, he questions the building of any hospital?

Mr. DUNCAN. Yes.

The Northwest Health Systems Agency came out with a similar recommendation. They are a group who plan, what, private facilities and authorize in the private sector the building of additional hospitals.

Mr. BOLAND. What about Commissioner Clark?

Mr. DUNCAN. Congressman McCormack and I held hearings in Vancouver about a year ago, maybe over a year ago. He took a very strong position at that point that the veterans needs should be cared for in the private sector. He has initiated a very imaginative program.

Mr. BOLAND. That's a very involved subject. That's not one that is going to be resolved by this Subcommittee. This is a policy question that is going to be resolved not in my time nor in this Committee's either, I don't think.

Mr. DUNCAN. Dr. Forrest Rieke is now deceased, a very traumatic and sudden death. He was a very active practitioner and public spirited citizen in our community who believed as Dr. Nathan did, but who, faced with the choice, supported Emanuel.

Mr. BOLAND. Did Drs. Nathan and Rieke and Commissioner Clark indicate if a hospital were to be built, where it ought to be built?

Mr. DUNCAN. Dr. Rieke did. I don't think Dr. Nathan has gotten to that point.

Mr. BOLAND. Thank you.

Larry?

Mr. COUGHLIN. I want to commend our colleague who certainly followed this project in the traditions of a representative. I notice you spend many, many hours studying this problem and your efforts are to be commended.

Mr. BOLAND. Thank you very much, Bob. Thank you.

Mr. DUNCAN. I am sure you will hear further from representatives of Emanuel and representatives of the Health Sciences.

EPA RESEARCH AND DEVELOPMPNT

WITNESS

HON. GEORGE M. BROWN, REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BOLAND. We will now move to our colleague from the State of California, the Honorable George M. Brown, who chairs the Subcommittee on Environment and Atmosphere of the Science and Technology Committee.

George, we are delighted to have you. Why don't you proceed?

Mr. BROWN. Mr. Chairman, I have a statement which is longer than I want to read. I ask that it be inserted in the record. Along with an attached article, which I have included with it.

Mr. BOLAND. It will be inserted in the record.

[The complete statement follows:]

TESTIMONY OF HON. GEORGE E. BROWN, JR.

Mr. Chairman, I am here today to testify in support of appropriations for the Office of Research and Development within the Environmental Protection Agency. As you know, the Science Committee has reported a bill, H.R. 11302, which authorizes appropriations for that Office. The bill was developed in my Subcommittee and was unanimously reported by the full Committee. The Committee report gives a great many details which I will not take the time to repeat.

Our Committee has had a continuing interest in the EPA research program. I know that you are very well aware of the study done for our Committee on the EPA CHESS program. I mention that because, as you well know, that was a very critical study. While we attempt to support the Agency's research program, we are certainly ready to criticize whenever that is called for. Our hope is that, at least in the long run, the effects of our criticism will be constructive and will result in a better research program at the Agency. With the same aim in mind, we have continually worked to improve the coordination of environmental research within the Federal government. As you know, EPA conducts only a small fraction of the Federal environmental research. Therefore they really must coordinate with other activities in order to get the most out of their restricted resources. Because of our interest, last year's authorization bill called for a joint study of the coordination of environmental research by the CEQ and OSTP. This year's bill authorizes an additional study which would utilize the CEQ/OSTP study (and others such as your Committee's study of laboratory utilization) as a point of departure.

In addition, we have provided that the Agency shall develop a five-year plan which would be an important tool in coordinating its research with that of other agencies. This year's bill also provides for coordination of health effects research with the Department of Energy programs in the same area. On the legislative side, we have worked cooperatively with the Commerce Committee and specifically with Paul Rogers' Subcommittee on Health and the Environment and Fred Rooney's Subcommittee on Commerce and Transportation in developing certain sections in the Clean Air Act Amendments and in the Resource Conservation and Recovery Act having to do with environmental research. Also, as another example of our continued interest in assuring effective coordination of efforts, we will be having oversight hearings in a few weeks at which the four members of the Interagency Regulatory Liaison Group—that is, EPA, FDA, CPSC and OSHA—will be testifying on how their cooperation has (or has not) led to greater coordination and utilization of research.

Mr. Chairman, I know that you have more testimony in favor of increasing the budget than in favor of decreasing it and that you have to balance these requests. For this reason I do want to point out very briefly what I think is a certain lack of balance in the overall Agency request. That is, the total Agency operating request, including abatement control, is for $1.127 billion dollars for this next fiscal year. This does not include the construction grants program, for which $4.5 billion is requested. The overall agency request thus increased 12% over 1978 (from $1.004 billion to $1.127 billion). On the other hand, research and development increased from $321 million in 1978 (which figure includes supplemental requests) to $324 million in 1979—only a 1% increase.

Between 1976 and 1979 the research budget has increased $59 million, from $269 million in 1976. This is an average increase of only about 6% per year, which has barely kept up with inflation. The research program has also fared very badly in slots. For example, in the last two years the Agency has received an increase of some 1,280 slots, of which the research program has received only 21. All of this was during a time when the Congress was giving the Agency significant new responsibilities, specifically in the Toxic Substance Control Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Act Amendments, the Clean Air Act Amendments, and the Federal Pollution Control Act Amendments. EPA was also given significant new responsibilities under President Carter's new Energy Plan. Thus, we feel that the research budget could very well be supplemented.

Today I want to discuss with you the areas which I feel need increased funding. I want to point out at the beginning that the President's budget is already very lean. For example, there is no request for funds or any research, development or demonstration in the area of noise abatement and control or noise effects. Similarly, there is no request for funds in the area of major importance—health effects of ionizing radiation. As the President has implied that the Nation is going to be getting a large amount of its energy from nuclear sources, I think it

is very significant that the primary environmental protection agency is conducting no research in this area.

Another point I would like to make is that the Office of Research and Development originally requested significantly more funds than are requested in the President's budget. Indeed, our increases were in many cases either based upon or in some way related to the requests made by the Office of Research and Development.

In addition, there are two areas of this budget that may need substantial increases in the future. These are the areas of research related to toxic substances control and to the control of hazardous waste disposal under the Resource Conservation and Recovery Act.

Finally, of course, the EPA program was cut (although not the budget) by the transfer to the Department of Energy of several energy-related control technology demonstration projects.

As I have indicated above, the President's budget request was the point of departure and basis for our considerations. We considered this request to be minimal. (Incidentally, our review was based on the same documents that the Agency generated for your Subcommittee in order to facilitate our joint consideration of the budget request.) In considering the President's request, we made only one cut which was, in fact, negligible in an overall view. (The Toxic Substances: Industrial Processes category was cut $290,000; in addition, we recommended the transfer of $1.998 million from the Pesticides medium to the Toxic Substances medium. However, this was not a cut, but only a transfer.) Our Committee authorization bill recommended an increase in this budget request of $62 million. Of this, $32.8 million was in Health and Ecological Effects research. We feel there is a critical need to generate precise, reliable information about health effects. Let me refer again to our review of the EPA CHESS study, which shows both our Committee's interest in this area and our resolve to see that good research is carried out. Of the $32.8 million, almost half ($14.8 million) is for energy-related research. Again, we feel that given the importance of developing new energy technologies for our Nation's future, we need basic health and ecological effects information in order to be able to carry out this development with no harm to the public health and welfare.

Another large area of increase was in that category of research under which control technology is developed—specifically, $11.3 million for Industrial Processes and $7.5 million for Energy Control. Our feeling here was that, just as the Agency should find out about the health effects of emissions, it has a concurrent obligation to help develop control technologies to meet the standards that it sets.

I also want to point out that in the Water Quality medium, we have emphasized the need for research on effects and control of non-point sources. As you very well know, we are spending billions of dollars to construct wastewater treatment plants. When we have spent this money, we may find that our Nation's waters are not nearly as clean as the dollars would have indicated. The reason for this is that non-point sources, which are basically sources of pollution that don't flow through treatment plants, will be more or less the same as before. Non-point sources now account for perhaps half of the pollutants in our Nation's waters, so that removal of most of the pollutants by the construction of wastewater treatment plants will still leave us with significantly polluted waters in a great many areas. We therefore recommended an increased level of effort for research on health effects of non-point sources and controls for non-point sources.

Another thing I want to point out is our provision of $4 million for increased research on groundwater. This appears in the Water Supply medium. Our Subcommittee just last Saturday held hearings in Glen Cove, Long Island, on contamination of their local groundwater which supplies all of their drinking water. This made very clear to us the importance of and the need for an increase in groundwater research.

Incidentally, the Glen Cove problem shows how research can be of direct major importance. The City is prepared to fund a new water well. However, because of a lack of understanding of groundwater pollution dynamics, and because they are aware that the pollution is extensive, they do not know where to drill a well that they can be fairly sure will not tap another source of polluted water. If we knew much more about the movement and chemistry of ground water we would be much better able to help cities such as Glen Cove, Long Island.

The bill also contains several other special authorizations which were not in the President's request. One related to water supply is an authorization of $25 million for grants to demonstrate the reuse of wastewater as potable water.

I think that Members from the Western States will recognize how important such reuse can be.

Other special authorizations in the bill include:

—an authorization of $3 million for the Gulf Coast air quality study authorized in last year's Clean Air Act Amendments (I should say that funds in the amount of $1 million are included for in this study in the President's request. We included this special authorization because we feel that this is and important project inasmuch as it has the potential of demonstrating the utility of cooperation between Federal, State, local and private research efforts to solve a specific problem, and because we feel that more than the $1 million included in the President's request could be used in this project.

—$10 million for grants to universities and similar institutions to conduct long-term environmental research. The purpose of these grants is to fund groups of researchers outside the EPA which are dedicated to work on environmental problems of interest to the Agency. We felt that this small fraction of the program funds could be devoted to building up such intellectual capital.

—$5 million for environmental R&D programs at the National Bureau of Standards. There is important work being conducted at NBS, but they have had problems obtaining funds through OMB because they have no explicit authority to conduct environmental research.)

—$2 million, $1 million each in FY 1979 and 1980, for a study to be conducted outside the Federal government of the coordination and utilization of environmental research. This study would take, as points of departure, both (i) the work of the National Academy of Sciences in their studies initiated by the Appropriations Committee, and (ii) the joint CEQ/OSTP study called for in our authorization bill of last year. The difference is that the study we call for would be much more management-oriented and much more aimed at determining how to achieve the goals described in the other studies.

Now, to summarize what I have been saying, all the funds authorized in our bill are important and they all should be appropriated. But that may not be very helpful to you in your deliberations, so let me assume that I had an extra $20 million to apply to the President's requested EPA research budget. (If you intend to ask me where I'm going to get this $20 million, I would say that the overall national health and welfare will be helped a great deal more by applying $20 million to the Agency's research programs than the Nation's health and welfare would be hurt by taking $20 million away from the construction grants program.) If one were to add $20 million, then, which is after all only about 7% of the budget, I believe the money should be applied in the following way—$10 million for health effects research, $5 million for the development of control technologies including non-point source technologies, $2 million for research on groundwater, and $3 million in the program of grants for long-term research at universities. If I had a second additional $20 million (and again the same comment with respect to the construction grants program applies), I would divide this addition money as follows: $5 million for health effects, $5 million for control technologies (especially energy-related technology), and $10 million for grants for wastewater reuse.

Mr. Chairman, I hope that this testimony has been of some use to your Committee, and I thank you very much for the opportunity to have presented it.

[The Washington Post, Sunday, April 9, 1978]

Medical Manhunt Seeks Link to 16 Cancer Cases in N.J. Town

(By Thomas O'Toole and Lee Lescaze)

The discovery of 16 cancer cases in and around the small community (20,000) of Rutherford, N.J., has triggered the biggest medical manhunt since the Legionnaire's disease struck the guests of a Philadelphia hotel three years ago.

It's a manhunt that's reached into the offices of more than 50 physicians and combed the halls of 11 hospitals in two counties.

It also has gone across the Hudson River to New York City's Sloan-Ketering Memorial Hospital and Columbia-Presbyterian Hospital to see if there are undetected cancer cases among the people living in the environs of Rutherford.

"We're a case-finding operation right now," said Dr. Ronald Altman, chief epidemiologist for the state of New Jersey. "We're looking for a common thread, if there is one."

The manhunt involves the health officers of six towns, two counties, the State of New Jersey, the National Cancer Institute in Bethesda and the Center for Disease Control in Atlanta.

Medical sleuths are combing morgues, hospitals, schools and doctors' offices in a 10-mile radius of Rutherford to see if the 16 cancers are linked.

"WE'RE LOOKING FOR A COMMON THREAD . . ."

Doctors already figure that 10 of the 16 cancers are unrelated. At least four of the persons were identified as living in Rutherford when they lived at least 10 miles away. Three are victims of Hodgkin's disease, a form of lymph cancer that occurs in the general population in approximately the numbers stricken in Rutherford. Three others are leukemias in older people who may have had the disease for some time but have had it diagnosed only in the last month.

"Let's face it," said Dr. Glenn Caldwell of the Center for Disease Control. "One in four of us is going to get cancer. We have to remember that in looking at the statistics in Rutherford."

What worries doctors about the Rutherford experience are six leukemias found among the pupils in Pierrepont Elementary School in Rutherford. Two of the six died.

A 17-year-old girl who baby-sat for the two dead children became the most recent victim of leukemia in the town. Curiously, she went to the same school as a youngster.

State epidemiologist Altman said he thinks the amount of cancer around Rutherford in general will not be found to exceed that of the normal population. "But there may be an excess at the schools," he added ominously.

On Tuesday night there will be a meeting at the home of Kay Wills, who runs an organization called Mothers Matter, to discuss what has happened at the school. The meeting has been called to head off the panic that has built up among some of the parents and pupils in the school, which house 776 students.

"We've got to help those people who read the papers and think there's cancer in the school," she said.

The mothers of the two Pierrepont pupils who died of leukemia within five months of each other a little more than a year ago were the people who called attention to what was happening in Rutherford.

One of the two mothers, Vivian Cleffi, went to school superintendent Luke Sarsfield less than a month ago with the names of more than 10 cancer victims she said she had known in Rutherford.

Sarsfield took the names to Health Officer Henry McCafferty, who took to his car and telephone to verify Mrs. Cleffi's chilling news. McCafferty needed almost two weeks to check out Cleffi's suspicions, which unreeled like a horror movie.

The cancers in Rutherford aren't the first cancer clusters to be witnessed in the United States. There are at least a dozen well-known and well-documented cases of cancer-cluster in the last 20 years, starting with the leukemias of six school children in Niles, Ill., 20 years ago.

"We still average one call a week about cancer clustering," said Dr. Caldwell at the Center for Disease Control. "Usually, it's an old woman calling to tell us that everybody in her church is dying of cancer.

"We investigate," Dr. Caldwell said, "and we find two deaths, one a 92-year-old man who smoked four packs a day and the other a 62-year-old woman with a history of breast cancer."

Nonetheless, Dr. Caldwell has dispatched two epidemiologists familiar with cancer clustering to New Jersey to look into the Rutherford case. One reason the CDC is investigating Rutherford is to allay the fears of the town. The other reason is the hope that they may find something that links the 16 cancers.

No common clue has turned up in any of the other clusters investigated by the CDC in the last 10 years. There have been leukemia outbreaks in Buffalo, Albany, Green Bay, Los Angeles and Atlanta. No evidence was ever gathered in any of these outbreaks to fix blame for any of the cancers.

In the search for a cause of the cancers, one of the first things doctors have done is test for chemicals in the air—especially benzene. Benzene is one of the few chemicals implicated as an environmental cause of leukemia.

Doctors found no traces of benzene in the air around Rutherford, even though there are at least 10 chemical plants in Bergen and Passaic counties that use benzene.

One report suggested "something" in the air was killing the trees around Rutherford, which reminded doctors of at least two past cases of cancer clusters where rumors about the disease spread faster than the cancers.

A cluster of leukemias in North Dakota took place at the same time the willow trees died. Another happened in Kansas City when the oleanders were

being killed off. Suspicious that pollutants were causing the cancers proved as unfounded in both cases as they did for the deaths of the trees and shrubs.

"We have to approach this case carefully, to make sure we do a thorough job," Dr. Caldwell said. "One thing we have to remember . . . we still don't know what causes cancer."

Mr. BROWN. I will try to give you very briefly the central thrust of what I have tried to justify in this longer statement.

Mr. Chairman, the statement deals with the environmental research and development mission of EPA. This is the mission which comes within the jurisdiction of my Subcommittee on the Environment and the Atmosphere on the Science Committee and to which the subcommittee has given a great deal of attention over the past three years during which we have had jurisdiction over this area.

In examining the request submitted by the President this year for the entire Environmental Protection Agency, we were generally pleased. We noted that it did receive a fairly substantial overall increase for the environmental functions which the Congress has charged the EPA with.

What disturbed us in the subcommittee and the full committee—and I might say we reported out an authorization bill on this one item and therefore, I am testifying as to the content of this authorization bill—what disturbs us, is that out of the fairly comfortable increase recommended by the President for the Environmental Protection Agency, practically none of it went to the research and development programs of the agency.

The increase recommended for research and development, which I think was 1 percent, is actually substantially less than the cost of inflation. Likewise, of a fairly substantial increase in the number of slots, over a thousand, only a couple of dozen were allocated to the research and development programs of the agency.

Now, our study in the subcommittee over these past several years have indicated that if there is any one major problem with the Environmental Protection Agency, it lies in the fact that they do not have an adequate scientific data base upon which to act vigorously to protect the interests of the American people.

You cannot obtain that base without having adequate resources to conduct scientific research and to carry out the programs necessary to secure the data on which to base standards, to base regulations, to base advice regarding adequate monitoring of pollutants in the environment.

We are not achieving that data base at the present time.

Our subcommittee has conducted extensive oversight studies on work of the agency. One of them has to do with the so-called CHESS studies. It resulted in a highly critical report on the inadequacy of the scientific procedures and the data base which have gone into the agency's program to develop criteria for environmental rules and regulations.

Now, I believe in strong environmental regulations, but I believe that it is impossible to have reasonable regulations without a strong scientific data base.

Let me cite a couple of incidents, Mr. Chairman. There's hardly a day in which the newspapers don't report some example of the American public being exposed to excessive pollution hazards. You can recall from recent times the so-called Kepone incident. Sunday's news-

paper has this headline: "Medical Manhunt Seeks Link to 16 Cancer Cases in New Jersey Town."

They have an unknown, but large, number of cancers in a small community. They are looking for the reasons.

This story illustrates that first of all, we don't have an adequate epidemiological research program. We don't know how many cancers there are in that town. We don't know what kind of cancers they are. We don't know how long they have existed. We don't know what causes them. Of course, we don't know the cause of cancer in general; but we don't know the factual situation which would have led to this particular kind of a cancer. So we are starting on a manhunt to find out if there's some chemical or something else in the atmosphere or the water that's caused these cancers.

That's one of a continuing number of examples where the lack of a data base has handicapped the EPA.

Mr. BOLAND. Is that the approach to take? What other way do you have?

Mr. BROWN. What we are seeking to do, and we have made a recommendation to this effect (which by the way is outside of the legislative jurisdiction of our subcommittee), to increase the funds to the National Cancer Institute by $20 million for epidemiological studies. They should have medical records in this town which will tell them how many people died from cancer every year for the last 100 years (or whatever time you can select) and thereby have a basis on which we can seek to build upon those cancer maps, which I know you are familiar with, Mr. Chairman, that were created out of the existing set of records.

I held a hearing Saturday on Long Island on a similar situation. We have had the water supply of the town of Glen Cove, New York, in effect, closed down because there are more than 50 parts per billion of some organic chemicals in that water supply.

They found out about it only last year. There was no health-based standard for it. As a matter of fact, the EPA, to whom samples were sent for analysis, couldn't even measure the chemical accurately. Finally, the state medical officer issued a standard for the wells. They shut them off.

They are buying water for that town now a a cost of $1,000 a day. This is a town of just a few thousand people. This is an exorbitant cost.

Every aspect of this indicates a lack of adequate EPA data that could have been produced by the Research Division of EPA if it had been adequately funded and adequately programmed to do it.

Money alone won't do it. It takes a sound research plan which our subcommittee and the Congress, following our recommendation, has tried to develop; a 5-year plan which is to be updated every year.

We don't want to cripple their efforts by saying to the EPA, you need a lot more money for regulation, but we are not going to give you any more money for data.

That's the thrust of my statement, Mr. Chairman. I didn't mean to be so lengthy and vociferous about it.

Mr. BOLAND. Well, you never sound lengthy, George. You always have a pretty fair knowledge of what you are talking about. What

you are, in a sense, looking for, you have broken out in your statement, a number of areas in which the authorization committee has included increases for research.

As I understand it, that's an extra $20 million.

Is that correct?

Mr. BROWN. I think it's a little more than that.

Mr. BOLAND. How much more would it be? I am talking about the authorization beyond the budget. What is your subcommittee recommending in this area?

Mr. BROWN. $104 million above the President's request.

Mr. BOLAND. Above the budget request?

Mr. BROWN. Yes.

Mr. COUGHLIN. I see you are suggesting a breakdown of the increase.

Mr. BROWN. Oh, that was a device, Mr. Chairman, by which we were seeking to let your Committee know where we feel EPA would get the most value from $20 million in additional research money as compared with $20 million in some other aspect that EPA is requesting.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. Just let me say to my colleague congratulations on the statement.

When EPA was before this subcommittee, we spent a good deal of time talking about the fact that too often they are setting their standards by the seat of their pants without adequate research and issuing regulations that are not meaningful because they have inadequate research.

I share the sentiments of my colleague from California.

Mr. BROWN. I would say that $20 million out of what we have authorized as additional to the President's request would be extremely helpful. And I have tried to pinpoint in the statement where we felt the highest priority was in these authorizations.

Mr. BOLAND. Bob?

Mr. TRAXLER. Let me commend the gentleman and add one comment.

In my own State in 1974, there was an unfortunate accident which saw the contamination of feed grain; a fire retardant chemical, PBB, was introduced into an animal feed chain.

The bottom line now is that the very best experts in our States are saying that the residue of that contamination is such that there are—at least 20 farms in my State that are going to have to be abandoned.

We live in a modern technological society. We are terribly dependent upon chemical compounds, the consequences of which we are not totally and fully aware of.

Imagine in America, in the 20th Century, we are going to build a chain link fence around 20 separate farms in my State and abandon that land because the chemical is so potent that the cattle excrete it, that we can't use that land for any purpose.

We have no idea how long it will remain there. It's as if we took a radioactive waste and dumped it on the land. It's incredible.

We know what it does to cattle. And, that chemical is now in the bodies of thousands of Michigan citizens.

Mr. BROWN. They may well turn up with after effects of that years from now. I might mention the incident I mentioned on Saturday about the ground water on Long Island. Since Long Island depends

almost exclusively on ground water, we might find a situation where the water supply for several million people will be prohibited because of contamination we don't understand.

We spend billions on building water treatment plants to take care of water pollution as it comes out of the cities' waste system. But we have done very little research on ground water problems where the water percolates into the ground from natural sources and then the communities rely upon that ground water for their water supply—a major weakness which, by adding some additional funds in our authorization bill, we hope to begin to address.

That is a major lack in our overall water resources program.

Mr. BOLAND. Thank you very much, Congressman Brown.

Mr. BROWN. Thank you, Mr. Chairman.

VA MEDICAL PROGRAMS

WITNESS

HON. JAMES M. HANLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BOLAND. Now we will be delighted to listen to our colleague from the Great State of New York, from the Great City of Syracuse. We are pleased to have with us the Honorable James M. Hanley, who appears here with reference to VA medical programs.

Mr. HANLEY. You are very kind, Mr. Chairman.

Mr. Chairman, members of the committee, I want to express my appreciation for the opportunity to appear before you this morning. In a sense, to me, history repeats itself. I can recall 30 years ago, back in 1948, essentially fighting this same battle.

Back then, we were trying to preserve a veterans hospital program that had been agreed upon during the war years of the 1940's and, subsequently, was about to be axed as a result of the then famous Hoover Commission.

Mr. BOLAND. So the more things change, the more they remain the same. We get the same story here today from others who are concerned about VA hospitals.

I wasn't here in 1948, so I really can't judge what might have been said at that time, though.

Mr. HANLEY. Well, Mr. Chairman, I wasn't here either, but I was extremely active in veterans' affairs.

We back then, were deeply concerned about our nation renigging on an obligation that it made during a period of wartime strife.

I do have a prepared text. I know that you are very busy. As opposed to reciting it verbatim, if I may respectfully ask that it be included in the record.

Mr. BOLAND. Your complete statement will be included in the record. I think perhaps you are, as I glanced briefly at the statement, are concerned more about the reduction in medical research.

Is that correct?

Mr. HANLEY. Essentially, that's it, Mr. Chairman.

Mr. BOLAND. Please proceed.

[The complete statement follows:]

Testimony before the Subcommittee on HUD's Independent
Agencies of the House Committee on Appropriations
by
Honorable James M. Hanley

April 11, 1978

Mr. Chairman: I am delighted to have an opportunity to appear before you today to express my grave concern over the proposed VA Hospital Budget for Fiscal Year '79.

Prior to my election to the Congress, I served as a Veteran's Service Representative in my home in Syracuse, New York. When I first came to Congress, I served on the Veterans' Affairs Committee. While I am no longer a member of that Committee, I have maintained my strong support for the improvement of veterans' programs. We owe so much to our Nation's veterans...indeed you and I might not even be here today as elected representatives of our free constituency if it had not been for those brave men and women who have served our country so gallantly through the years. I am honored to be here before you today to stress the importance of providing the best of medical care to those individuals...veterans...who have given their all for us. My testimony will be necessarily restricted to the Syracuse VA Hospital, as I have worked with and for this fine facility for many years and know it well. However, the impact which the proposed FY '79 VA Hospital budget will have upon the Syracuse VA Hospital is, I believe, illustrative of the effect which it will have upon other VA Hospitals throughout the country.

Of primary importance is the proposed VA Research budget. While there are no real reductions in the proposed '79 budget, there are no increases. Because of increases in personnel costs, rises in the costs of equipment and supplies, and the general impact of inflation, the proposed research budget falls far short of what would be required to maintain current VA research programs. As a result, the VA has proposed to eliminate research programs in about 53 VA Hospitals, and to concentrate available research funds in what has been termed "centers of excellence."

While the decision has not as yet been made, the Syracuse VA Hospital is one which stands to lose available research funds. While I will not take up your valuable time extolling the many virtues of the research program at the Syracuse VA Hospital, I would like to submit for your perusal, and for inclusion in the record, a synopsis of the program which was prepared by Dr. William J. Williams, Chairman of the Department of Medicine at Upstate Medical Center in Syracuse, New York.

The Syracuse VA Hospital enjoys an excellent working affiliation with Upstate Medical Center...a working relation which has proven most beneficial to both facilities. Such affiliations are certainly not unique within the VA Hospital system. Yet, the pending loss of research facilities at the Syracuse VA Hospital could spell impending disaster for both of these fine facilities.

First off, I would like to point out that the research-teaching-practicing physician is a special breed of individual. They are physicians dedicated to the improvement of medical science, to imparting their knowledge and skills to aspiring young physicians, and to using their expertise in the treatment of the ill. As was explained to me, these doctors are happy as long as they have their "three-legged stool"...one leg being the practice of medicine, another, medical research, and the third being the teaching of medicine. In private practice, these individuals could earn upward of $100,000 per year. However, as explained previously, these are a special breed of physicians, and monetary gain is not their goal in life. So long as they have their "three-legged stool," they are content with the $40,000 a year which they can earn as research-teaching-practicing physicians.

In the medical teaching community, as in many other professions, there exists the "publish or perish syndrome." Through the VA research program and the affiliation with Upstate Medical Center, these physicians have had their "three-legged stool"...they have been able to accomplish the necessary research and publish their subsequent findings, practice their medical skills at the VA Hospital, and teach at Upstate Medical Center. In other words, the opportunities for research at the VA Hospital have been the one drawing card which has attracted these physicians to serve at VA Hospitals. Without the research funds, these physicians will go elsewhere. With the limited funds available to pay physicians at VA Hospitals, there is no way that the VA Hospitals could then attract physicians and surgeons of such high caliber and expertise. The resulting medical care which our veterans receive will subsequently become second-rate.

As illustrative of the impact of the loss of research funds, the Syracuse VA Hospital has advised me that one neurosurgeon has tendered his resignation, and two neurologists who were scheduled to come to the hospital next year have now declined. All of this has occurred just at the prospect of losing research opportunities. In further illustration of the potential loss of top physicians and surgeons, I would like to share with you a portion of a letter which I received from Dr. Stanley A. Blumenthal. Dr. Blumenthal's credentials are truly outstanding, and he currently serves as Associate Professor of Medicine at Upstate Medical Center, Associate Chief of Staff for Ambulatory Care at the Syracuse VA Hospital, and Chief of the Diabetes Clinics at Upstate Medical Center and the Syracuse VA Hospital. He has been actively involved in diabetes research in the Syracuse VA Hospital's research program. To quote:

> "If I lost my laboratory at the VA Hospital, it is unlikely that I would transfer my activities to SUNY Syracuse because the State of New York would probably not appropriate the funds needed to pay my salary and maintain my research program. I would therefore immediately look for another academic job and would leave Syracuse when I found it. Further, it is extremely doubtful that anyone with credentials comparable to mine could be recruited to replace me since the main inducement to come to the VA Hospital -- the availability of research opportunities -- would no longer exist."

The sentiment expressed by Dr. Blumenthal is shared by many other doctors in the same position who have contacted me.

As further illustration of the value of the affiliation between Upstate Medical Center and the Syracuse VA Hospital I would like to point out that this relationship has also been financially advantageous. The Chief of the Cardiology Section at the VA Hospital received about 90% of his salary from the College of Medicine, and all but two of the remaining faculty of the Department of Medicine in the VA Hospital receive some support from Upstate Medical Center. Further, they are in the process of attempting to recruit three or four individuals who will be paid a maximum of 5/8 of their salary by the VA, with the remainder paid by Upstate Medical Center. The willingness to provide the remaining salary for these individuals testifies to Upstate's involvement in the program and has great advantages for the VA by permitting recruitment of a larger number of highly skilled individuals than would be possible with VA funds alone. It is quite doubtful that this arrangement will continue if the research component is eliminated. While thus far I have stressed the research function of these physicians, it is important to keep in mind that these doctors spend most of their time in the care of ill veterans.

In my analysis of the situation, it would be less expensive to restore adequate funds to the VA Research program than to pay the salaries which would be required to recruit physicians and surgeons of this caliber. It is unthinkable that in the guise of monetary restraint we would reduce funds to the point where our VA Hospitals would have to settle for the recruitment of surgeons and physicians on the basis of the unavailability of funds to retain and attract the type of individuals who are currently on the staff.

In addition to the possible loss of research at the Syracuse VA Hospital, which would also mean the loss of 45 research positions at that hospital, the FY '79 VA Hospital Budget would also impose budget cuts on the Syracuse VA Hospital totalling $338,000. A breakdown of this reduction means that 16 employees will be lost to the Hospital due to attrition in order to receive $276,000. The remaining $62,000 is to be absorbed through a cut in supplies... a cut which the Director of the Hospital says is impossible. Consequently, the Director states that 4 additional employees will be eliminated through attrition to counteract the cut in supplies. This will result in a net loss of 20 employees...1 doctor in addition to nurses and ward secretaries.

The Syracuse VA Hospital cannot afford to lose that many employees and still maintain an adequate level of care for the veteran patients. In this regard, I would like to point out that a study conducted last year by The Dean's Committee at Upstate and by the Syracuse VA Staff found that 92 additional employees would be needed in 1978 to adequately staff the hospital...2/3 of these needed employees were nursing personnel. In 1978, the hospital got 4 employees. Now the budget proposes that the Hospital should lose 20 employees...not because these employees are not needed, but to save money. So far as I know, there were no studies done to determine that these employees are not needed, and the only rationale for this cut is to reduce expenditures. While I am all in favor of reducing unnecessary expenditures, it is appalling and repugnant to me that action would be taken to reduce expenditures which have not been proven to be unnecessary. In my opinion, the almighty dollar is not nearly as important as the helpless

veteran who must lie in agony until a nurse on ar understaffed ward can find the time to tend to his needs. The needs of our hospitalized veterans must be placed above a bureaucrat's need to lop dollars from the budget.

Finally, I would like to add a few words about the overall bed reduction throughout the VA Hospital system. Currently, there are 391 beds in the Syracuse VA Hospital. Due to cutbacks in the FY '79 budget, the Hospital will be reduced by 31 beds. Inasmuch as the Syracuse VA Hospital has been operating at a 75.5% occupancy rate in FY '77, this reduction will translate to an 85% to 90% occupancy rate in FY '79. Therefore, the Hospital's overall performance is not expected to be seriously affected by the reduction in beds. I am, however, concerned over the manner in which this bed reduction is to be accomplished and the implications for further bed reductions.

According to the Budget, one of the reasons for the bed reduction is to meet privacy standards. The privacy standards set by the Joint Committee on the Accreditation of Hospitals state that there should be no more than 12 beds in one room. Many VA Hospitals, including the Syracuse VA Hospital, contain large 16-bed rooms. Would it not be logical then to accomplish the necessary bed reductions by cutting these 16-bed rooms back to 12 beds, thereby meeting the privacy standards called for in the budget. Apparently, this is too logical.

Prior to intervention from my office, the cut-back at the Syracuse VA Hospital was scheduled to be accomplished by closing the respiratory care unit and the half-way house. The respiratory care unit, incidentally, was put into operation in January 1977, at a cost of over $400,000, and had been operating at an occupancy rate of 90-95% since it was opened. It contained specialized equipment, including temperature and humidity controls not available elsewhere in the hospital, and patient monitoring equipment built into many of the beds. Because of its specialization, this unit could not have been absorbed elsewhere in the hospital. In other words, the VA proposed to save money by effectively dismantling a unit for which $400,000 had been expended less than a year ago, and without regard for the veterans who have been treated in that unit. Again, the logic escapes me. Fortunately, I was able to convince VA officials that the mandatory reductions could be accomplished elsewhere in the hospital in a much more logical, efficient manner. In this regard, I would like to urge the Subcommittee to give special attention to directing bed reductions in the large 16-bed wards to comply with privacy standards as directed in the Budget and to make certain that any such bed reductions are accomplished with the needs of the veterans in mind.

The implications in the Budget are for further bed reductions in 1980. As previously stated, the FY '79 bed reductions at the Syracuse VA Hospital will bring that facility up to an 85-90% occupancy rate. In view of the ever-increasing number of veterans who require hospitalization, I do not feel that future bed reductions can be accomplished without denying hospitalization to some veterans. As the years pass, and veterans of World Wars I and II, Korea and Vietnam grow older and require more medical care, the need for available hospital beds will increase. Certainly, no veteran should ever be turned away from a VA Hospital facility for lack of an available bed. In this regard, we certainly need to keep in mind the needs of veterans in the future, as well as the needs of veterans today, in planning for their care.

In summation, of paramount importance is the VA Hospital Research Budget. I urge this Subcommittee to give careful consideration to the disastrous effect of elimination of research opportunities at VA Hospitals. I trust you will concur in my observations, and will restore to the Budget funding adequate to continue the existing research programs, at least in those facilities where affiliations would be jeopardized. Secondly, I implore the Subcommittee to restore to the budget funding to provide for adequate staffing at our VA Hospitals, and to make certain that concern over budgetary restraint does not replace concern for quality health care for veterans in our priorities. Finally, I urge the Subcommittee to provide for the logical accomplishment of bed reductions at VA Hospitals in compliance with privacy standards called for in the budget, and to view any such cutbacks in terms of future health care needs of our Nation's veterans.

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DEPARTMENT OF MEDICINE

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March 21, 1978

Honorable James M. Hanley
239 Cannon Building
Washington, D.C. 20515

Dear Mr. Hanley:

I am pleased to have the opportunity to present further information regarding the research program at the Syracuse Veterans Administration Hospital. I shall comment briefly on the program as a whole, and more extensively on the role of the Department because that is my area of interest and responsibility in our school.

The research program is managed by Dr. Stephen A. Landaw. Dr. Landaw has both the M.D. and Ph.D. degree, and is certified in four medical specialties (Internal Medicine, Hematology, Oncology, and Nuclear Medicine). He has been Associate Chief of Staff for Research and Development at our VA Hospital since 1973, and was recently promoted to Professor of Medicine in the Upstate Medical Center, State University of New York.

As Associate Chief of Staff, Dr. Landaw has been concerned with the productivity of our VA research program, and has been extremely successful in increasing the number of scientific publications, as is illustrated in attachment A. Since 1973 the number of investigators has been reduced from 59 to 27, while the number of publications has increased from 42 to 100, an average of over 3 per year per investigator. In 1973 there was one paper published for each $16,000 expended, while in 1977 each publication "cost" about $9,000. The papers written in 1977 are of quality at least as high as those of 1973.

This extraordinary feat was accomplished by conviction, enthusiasm, and effort, and with minimum rancor. The morale of the research staff was high, with real pride in the Syracuse VA Hospital and the Upstate Medical Center. Recent efforts to terminate the research program have had an adverse effect on morale, although they have not diminished pride.

Several research projects deserve specific comment. Dr. Arnold M. Moses and Dr. Stanley A. Blumenthal have independently been studying important facets of the mode of action of the oral hypoglycemic drug chlorpropamide, widely used in the treatment of

diabetes. Dr. Blumenthal has utilized perfused livers of rats for a detailed analysis of the mechanism of action of this drug, and is accumulating interesting data on the manner in which it potentiates the effects of insulin on glucose production by the liver. Dr. Blumenthal is the only member of our full-time faculty with a primary interest in diabetes, and provides excellent care to veteran patients with diabetes. He presently receives half of his salary from the Veterans Administration and the remainder from the Upstate Medical Center, but spends most of his time in the VA Hospital.

Dr. Moses is interested in the interaction of chlorpropamide and the antidiuretic hormone (ADH), a substance secreted by the pituitary gland and necessary for the control of water excretion from the body. Dr. Moses has found that chlorpropamide increases the effect of ADH on the kidney. This discovery may have important implications in treating diabetes incipidus, a disease due to a deficiency of ADH. Dr. Moses has also carried out detailed clinical studies on patients with diabetes incipidus and has identified four different types of this disease. Dr. Moses spends half of his time in the VA Hospital, where he is Chief of Endocrinolgy, and the other half in the State University Hospital, where he is Director of our federally-funded Clinical Research Center. His salary is proportionately divided between these two sources.

Dr. Saktipada Mookherjee is assigned full-time to the Cardiology Unit at the Veterans Administration Hospital. He is interested in hypertension, and has been investigating some of the effects of a new drug, saralasin, on the function of the heart and blood vessels. He has recently discovered that infusion of saralasin into patients results in an increase in the oxygen content of the blood. This unexpected finding may have imporant therapeutic potential and is currently under intensive study.

Dr. Willem Linscheer is Chief of Gastroenterology at the Syracuse VA Hospital, and has developed an extensive research program concerned with fat nutrition, medical therapy of gallstones, and control of upper gastrointestinal bleeding. In the last project, Dr. Linscheer has developed a technique for the direct application to bleeding peptic ulcers of substances which will induce blood coagulation. This method has been extensively studied in experimental animals and is being applied to patients. Of specific interest in this project is the fact that the device used to treat bleeding ulcers locally was fabricated in the instrument shop

supported by the research budget of the VA Hospital. This work is sufficiently important that a multicenter clinical trial to evaluate it is under consideration.

Finally, in addition to his administrative duties, Dr. Stephen A. Landaw has an active research program in Hematology, with specific interest in the aging process in the red cell and in the polycythemias, a group of disorders characterized by an excessive number of red cells in the circulation. Dr. Landaw has been particularly concerned with the increase in the level of red cells in the blood induced by smoking - "smoker's polycythemia". This work was published in the New England Journal of Medicine at the beginning of this year (January 5, 1977), and was of sufficient interest to be accompanied by an editorial reinforcing the concept.

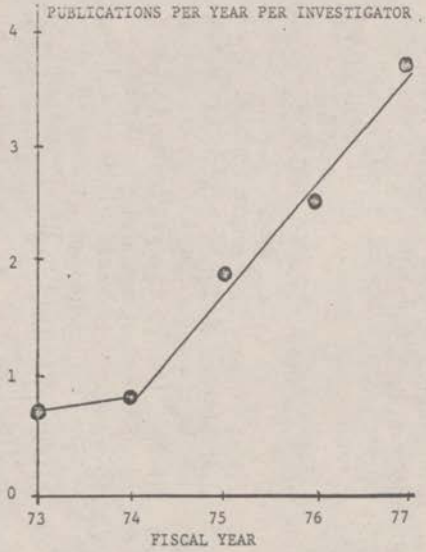
I think these brief summaries of the work of five of our faculty illustrate the quality of the research done at the Syracuse VA Hospital, and also indicate the clinical relevance of the work. As a corollary, the investigators are highly qualified clinicians who provide excellent care for their veteran patients. All of the medical staff at the VA Hospital are also involved in teaching medical students and residents. The VA Hospital is in every way an integral part of our academic program, and the research support provided by the VA is the keystone of this important relationship.

I hope this information is helpful to you.

Sincerely yours,

William J. Williams, M.D.
Chairman
Department of Medicine

WJW/jr



FISCAL YEAR	PUBL/YR/INVESTIGATOR	PUBL/YR/$ 1,000,000
1973	0.71	57.2
1974	0.83	65.1
1975	1.89	82.8
1976	2.51	107.1
1977	3.70	115.5

FISCAL YEAR	FUNDED INVESTIGATORS	TOTAL RESEARCH FUNDING	TOTAL RESEARCH PUBLICATIONS
1973	59	$ 734,000	42
1974	59	753,000	49
1975	37	845,000	70
1976	37	868,000	93
1977	27	866,000	100

ATTACHMENT A: SUMMARY OF RESEARCH PRODUCTIVITY AT SYRACUSE VA HOSPITAL (FY 73 THROUGH 77)

Mr. HANLEY. If I can make some points with regard to the research program, we have developed a team of high quality physicians heavily involved in research.

I believe that it would be a tragedy if we moved in the direction of breaking up this team so collectively on a day to day basis contribute so much—have contributed so greatly—to some of the advancements that may have been made in medical science.

So I think that that would be an expression of poor judgment if we didn't allow this highly qualified team of professionals, mind you, with a tremendous dedication to conquering the causes of human misery, to pursue this.

If they were self-serving, they would be out in the private sector making a great deal of money. We have this tremendous dedication there.

It just seems to me a shame that we would do anything that might have a disruptive effect on their efforts.

The shortfall result in this overture, of course, would also have a rupturing effect with respect to the very deep alliance between VA hospitals and medical centers thoughout the country.

I know in my particular area, we have an excellent association with the Upstate New York medical facility and the Veterans Administration Hospital.

Loss of research would also adversely affect the Upstate Medical Center in my home community. I am sure that that same effect would occur in similar situations throughout the nation where both would stand to lose many outstanding teaching physicians.

The opportunity for research at VA hospitals has really served as a drawing card for medical centers across the nation, as well as VA hospitals.

The personnel reductions, again, I can only observe, would seriously hinder the VA hospitals' ability to care for patients.

If I might be parochial for just a moment, a study conducted last year found that 92 additional employees would be needed in 1978 to adequately staff the hospital.

As a result of the proposed budget, the VA hospital will lose a total of 20 personnel—one doctor, beyond that nurses and secretaries.

In my home city, the VA hospital which serves all of central New York State would lose 31 beds at a time when, as opposed to losing beds, we should be thinking in terms of expanding upon capacity.

There is so much more that could be said. I have voluminous material on the subject matter. I think you get the message that I am attempting to imply.

I think as a nation we have an obligation to the veterans community to continue to provide that traditional program which has served two great purposes—our basic obligations to the medical needs of those who have served our nation, and beyond that, the spinoff enjoyed by all Americans resulting from the productivity of medical research and medical science.

Mr. BOLAND. We appreciate very much your statement and the information you have left with the committee.

I sense that perhaps your real problem is with medical research, and that, of course, is a matter that is of vital concern to a lot of other members and a lot of other VA hospitals.

It is an area that has generated considerable controversy.

I am not terribly interested with respect to the operative rate or the loss of beds in specific areas. The reason for most of the bed loss is due to a low occupancy rate. That prevails in many areas where they have had cutbacks in bed space.

I don't think, frankly, sitting on this committee as long as I have, and having listened to the question of daily patient loads and occupancy rates, it is a matter that we look at rather closely. It is one that we do direct our attention to.

But where the occupancy rate is low, the cutback in beds really doesn't affect the veterans' population in those areas.

We will get a close look at the cutbacks in the occupancy rate and we are concerned, let me tell you, with the changes in medical research that are being proposed by the VA.

So we are delighted to have you.

Larry, do you have anything?

Mr. COUGHLIN. I want to thank my colleague for appearing here and for his long interest in the cause of veterans which is well known.

We very much appreciate it.

Mr. HANLEY. Thank you very much, Larry. I appreciate very much what you have said, you, Mr. Chairman, and you, Larry, with respect to research.

I am reminded of President Nixon's commitment to our nation when he pronounced, a few years back, America's war on cancer.

Unfortunately, obviously, these proved to be little but loose words. We never, ever moved in the direction of exhilarating that war on cancer.

The shortfall envisioned as a result of a reduced budget would put us in this terrible position, whereas we are not only exhilarating that research effort, but we are putting it in reverse effect.

So I can appreciate the Chairman's preference to assign a priority to the research aspect of this as opposed to the other points that I have attempted to make.

Mr. BOLAND. I think you made a good point in the fact that you do lose where you cut back on research activities, in particular, hospitals. If you make an effort to establish centers of excellence for research rather than having research in a number of the VA hospitals, you do lose the expertise and knowledge of those who are there. You do break up a research team.

So we are concerned about that. I think you made a good point in your statement with reference to that.

Thank you very much.

CAMDEN VA HOSPITAL

WITNESS

ANGELO J. ERRICHITTI, MAYOR, CITY OF CAMDEN, NEW JERSEY

Mr. BOLAND. We are going to move a little away from our regular schedule. We want to welcome the Mayor of Camden, New Jersey.

Mayor Errichetti, if you would move up front with Jim Florio,

we would be delighted to hear you. We have heard Mr. Florio and the Attorney General's statements earlier. If you have something to add to it, we would be glad to hear it.

We will put your statement in the record. You presented us with a rather voluminous document on what happens in Camden if this project doesn't come to full fruition. It's very well done, incidentally. The only problem I have with it is I don't think VA hospitals ought to be built in order to solve the urban renewal problems of a particular area.

Going through your well-documented statement that was one point point that you were making that I would not agree with frankly. I can agree with a lot of the other points. I certainly agree with many of the points that Congressman Florio has made. I don't think that that is the business of the VA, to renew areas for the building of hospitals.

If you can have one that can assist the area, that's a different story.

Mayor ERRICHETTI. I agree with you, Mr. Chairman. I do have some thoughts.

Mr. BOLAND. If you would like, you may go ahead with your statement.

Mayor ERRICHETTI. Thank you.

[Mayor Errichetti's complete statement follows:]

A ELO J. ERRICHETTI
MAYOR

CITY OF CAMDEN
OFFICE OF THE MAYOR

April 11, 1978

TESTIMONY OF ANGELO J. ERRICHETTI, MAYOR, CITY OF CAMDEN, NEW JERSEY
BEFORE THE SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES
OF THE UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman:

Thank you for the opportunity of appearing before you this afternoon to tell you that I, and countless others, have been mistaken, misled, misinformed and misused by the decision of the Carter Administration to eliminate, without sensible justification, the proposed $75 million dollar Veteran's Administration Hospital for the City of Camden that was awarded on the basis of need and merit site selection by President Ford on May 11, 1976.

I was mistaken because I was under the impression that the Government of the United States was a government that kept its word. I was mistaken because I felt that ours was a government of reason operating on a level of sound public policy, and not a government operating by whim and caprice.

I was misled, and others were misled, into expending millions of dollars, and committing even further millions, on the assumption that the government of the United States kept its word. I was misinformed in my belief that the Office of the President of the United States transcended the tenure of any particular occupant.

I was misused along with thousands of others, in a most cruel and callous fashion and given promises that were hollow, pledges that were worthless and commitments that were mirages.

Mr. Chairman, nothing so angers the human heart as betrayal and it is betrayal which makes me, today, an angry man. A sense of trust is the glue which holds the framework of government together and I am not in the least surprised that the framework of government, in the minds and hearts of the people in this great Republic, is collapsing when the people see their trust betrayed in a senseless and hypocritical fashion.

In 1976, the Office of the President announced that the City of Camden had been selected as the site for a 75 million dollar Veteran's Administration Hospital. I need not tell you of the commitments that were made and the work expended in

order to convince the Veterans Administration that--on merit alone--our City was the logical choice for this facility. However, Mr. Chairman, this was work which was gladly expended and these were commitments that were happily made, because this announcement quite literally ignited the complete revitalization--both physical and psychological--of the City of Camden.

Once again, Mr. Chairman, our City, beset like so many others in the northeast by decay, gross unemployment and blight, had hope. The new hospital became the cornerstone of our urban renewal efforts. We felt that our dream of standing on our own and not looking to the federal and state governments for handouts, for ever increasing subsidies, for make-work projects, for the whole patch-work of expensive band-aid solutions, was within our grasp. We demolished our Convention Hall and spent a half million dollars on the acquisition of private properties and the relocation of families in order to prepare a compact thirteen acre site which we pledged to sell to the Veterans Administration for the sum of one dollar. We relocated a new two million dollar Police Administration Building near the site of the proposed hospital at the suggestion of the Veterans Administration Site Selection Committee. We spent thirty-five thousand dollars for a parking study based on the traffic volume which the new hospital would produce. We closed a part of South Seventh Street and half of a public park--with a commitment of one and one half million dollars that it is now too late to withdraw--in order to realign traffic patterns for the new hospital. One hundred and sixty seven thousand dollars was spent on a Gateway Planning Study in which traffic counts, market studies, plan recommendations, maps and models were based on the new hospital. One hundred and eighty-five thousand dollars was spent to develop a new Comprehensive Plan for the City of Camden in which Land Use recommendations, economic development, housing and employment projections were based on the location of the new hospital in the City. I feel, Mr. Chairman, that my City, and the veterans of this county, are the butt of a cruel joke. Is the commitment of the government of the United States really only the beginning of a prank? Are we--and those who have borne the battle, their widows and their orphans--to play the straight men while the government of this Republic plays the comic?

After the new Veterans Administration facility was announced, the New Jersey College of Medicine and Dentistry agreed to open a Medical School in Camden in conjunction with the new hospital. Taken together, these two factors resulted in the Cooper Medical Center replacing its hospital with a new thirty-eight million dollar facility, and spending another hundred and fifty thousand dollars to relocate the entrance of this facility at the suggestion of the Veterans Administration Site Selection Committee. Money was committed for a new Transportation Center directly across from the proposed site of the Veterans Administration Hospital. Funds were committed for a new Hall of Justice and a professional office building. The new Veterans Administration Hospital meant jobs in its construction and operation, and in the ancillary services it would require; it meant new housing for the staff it would need; it meant large construction projects; it meant that our city

was on the way back--but, most of all, Mr. Chairman, it meant hope. The new hospital and the other projects that it would generate were designed to change the face of Camden but the hope that it would be, had already changed the City's heart.

Mr. Chairman, there is no doubt that there was an equitable commitment made to the City of Camden, and repeated time after time, to build a Veteran's Administration Hospital. It would be unconscionable for the government of the United States, at this stage, to refuse to honor its word and keep its pledge. At the very least, there was a moral commitment to build this hospital, and I stand in awe at the brazen hypocrisy of those who would preach morality to others and yet ignore even the semblance of morality in their own dealings. I say that it is time, Mr. Chairman, for this Government to practice what it preaches.

Even greater hypocrisy, blended with substantial stupidity, is evident when the decision to eliminate the Veteran's Administration Hospital in Camden is viewed in light of the Administration's alleged goal of aiding urban areas. The Philadelphia Inquirer, put the matter most succinctly and prophetically in an editorial of January 31, 1978 entitled "VA Hospital Cut Hurts Veterans and Camden":

> "It makes no sense for one government agency to be identifying the country's distressed cities and for another agency to scuttle an essential project targeted for one of those cities. President Carter's urban proposal, which is to be made public in March, should deter such self-defeating government policies".

And yet, Mr. Chairman, I do not speak ignorantly of the attempts by the Administration to curtail spending and eliminate waste. I might note, in passing, that others have addressed and will address the questions of veteran's services and medical care with a greater knowledge than I possess. I would simply say that the federal government, and specifically the Veterans Administration, determined that there was a need for this hospital. We competed with other areas and the City of Camden was chosen as the site to meet this need. Indeed, the Veterans Administration continues to recognize that this need exists but has only recently produced, almost magically, post-operative excuses to justify the myopic intransigence of the Office of Management and Budget. However, as the Mayor of a municipality which the Brookings Institute lists as the ninth most distressed city in the United States, and as a State Senator who is a member of the Joint Appropriations Committee of the New Jersey Legislature, I am well aware of the necessity that public monies ought not to be spent foolishly; but ought, rather, to be spent with wisdom and a sense of purpose. However, I am also aware that senseless and irrational budget cutting, which does not take account of people's needs and the demands of the future, is as destructive as wasteful spending.

Mr. Chairman, New Jersey has the highest unemployment rate of any State in the Union. The Veteran's Administration Hospital was to employ 1,100 people. The proposed clinic is to employ 175 people. Those figures speak for themselves. What does not speak for itself is the fact that our hopes for a bright new future for our old and battered city have been dashed and our revitalization efforts have been dealt a crippling blow. Much needed jobs have been eliminated. The cornerstone of our entire urban renewal program has been yanked away. Our own money has been wasted in reliance upon hollow promises. Perhaps most important, Mr. Chairman, is the terrible psychological effect that the decision to scuttle the hospital has had on a city that had been on its way back, not only in economic and physical terms, but in the hearts and minds of its people as well.

Mr. Chairman, I have come here today to seek your support for improved veteran's services and for better medical care. Most important, however, is the fact that you have the opportunity within this context, to put a city back on the road to a meaningful future. You can continue a policy of mistrust, misrepresentation and mistake. You, also, have the unique opportunity to sow the seeds of hope and confidence. I ask you, Mr. Chairman, to give us the tools to build for a brighter and better future. I trust that we can rely upon your sense of fairness and justice; and, more importantly, upon your vision.

Mr. BOLAND. Do you want to introduce Mayor Errichetti, Congressman Florio?

Mr. FLORIO. This is a public interest mayor who is interested in seeing the right thing done. The mayor took a lot of time. This is key to the redevelopment situation. There is no question about the fact that the mayor feels this is not the purpose of it. That's a secondary but important factor to the redevelopment of South Jersey.

I told the mayor all the things stated this morning. I think he wants to highlight the importance of the city and some of the inequities on relying upon representations from the VA, changing the redevelopment plan in accordance with those representations and the adverse impact that results when people change their mind.

The mayor is very interested in this matter for the benefit. I introduce Angelo Errichetti, mayor of the City of Camden.

Mr. BOLAND. Thank you very much.

Mayor ERRICHETTI. Thank you, Mr. Chairman, members of Congress. Gentlemen, in 1976 this hospital was awarded for the City of Camden not because it was depressed but because of competition with other communities in the Delaware Valley. We were successful. It was named as the successor to a VA hospital.

Because of that domino effect, because of the announcement, we immediately began to plan for an administration building and the siting next to the VA because of the need for security and a Cooper Hospital of $50 million and so forth and so on to the tune of $265 million totally which was one of the hopes and desires that the city can rebuild itself.

In my humble opinion, it was a true partnership where you can utilize city, state, Federal Government moneys to the tune of accomplishment, one of jobs, one of care for veterans, one of, again, revitalizing the city not because of it being one that was awarded because it was depressed, but one that was being awarded to.

I feel strongly about the fact that as late as October of 1977, where Mr. Cleland said full steam ahead, where we spent a million and a half dollars for relocation moneys, where we relocated people, put a lot of time and effort in regards to this total project, gearing it around the focal point of the VA hospital and therefore having a good anchor to revitalize downtown.

Lo and behold, sometime in January, the President and the OMB staff, without warning, sent a devastating note that it's erasured off of the books for VA hospitals and downgraded to a VA clinic to the tune of $12.2 million.

That was a model commitment that we felt we had a trust in government, where we said yes, you can build, yes, you can revitalize. It was a devastating economic impact on the City of Camden. Morally, economically. The attitude is one of being depressed today. I think the thrust of government is where you say yes, you have by one President and no, you don't by another. That to me is ludicrous.

Gentlemen, all I can say is this. I would hope and pray that if this particular project were in any congressman's district whether it be yours, Jim's, whatever, that this impact, this devastating impact whether it be psychological, political or otherwise, not be sent into the Delaware Valley.

I think the Congressman from Pennsylvania knows full well the attitude of the angry mood in the Delaware Valley. There have been editorials by the TV networks and the local papers as to why would a President not meet a moral commitment.

I think very honestly, I would respectfully hope and pray you gentlemen would take a hard look at this thing, a hard look, and help the City of Camden.

Mr. BOLAND. I can share your concern, Angelo, about representing an area where the impact of a governmental decision is serious and rather traumatic. I happen to come from a city where government action a few years ago closed down completely the research, development, fabrication and manufacturing of small arms rifles. It meant the loss of 2,300 jobs. Bingo, off the payroll immediately. That impact, of course, is a lot more severe than this sort of impact. There you are getting rid of them. I can understand your concern. I can understand the rhetoric you use in your statement here, too. I can sense your feeling with this kind of decision when commitments have been made or at least there have been indications that things will be done in a particular area and then the government suddenly withdraws.

Mr. FLORIO. Might I point out a particularly ironic result of the last couple of weeks? The President has come forth with an urban care package. One of the first things indicated is the need for greater coordination among governmental agencies.

As a matter of fact, there appears to be a new structure being established such that we will have to have an urban impact analysis as a result of policies by governmental agencies. I have written to the President saying that the first such urban impact analysis ought to be in Camden. The Administration has designated the City of Camden as being 90th out of the 100 most depressed cities deserving of assistance.

At the same time, another agency of the Federal Government is taking away what has been the cornerstone of the redevelopment efforts. We ought to have at least governmental agencies making an impact analysis as to the consequences of these differing policies.

Mr. BOLAND. I am sure you were engaged in urban renewal efforts before there was any decision to build a VA hospital there. I am sure that the City of Camden must have been involved rather heavily in urban renewal years ago. The program goes back years. I am sure you must have had an urban renewal program long before there was any indication or commitment that a hospital was going to be built.

Mr. FLORIO. That's true. However, in the last very few years all of the pieces were fixed in response to the direct requests by the VA. When they addressed the security need, the decision to put the police building at that site was accomplished at the request of the VA.

Mr. BOLAND. Mr. Coughlin.

Mr. COUGHLIN. I am certainly aware of the tremendous efforts being made to revitalize Camden. It's an important effort. It does indeed deserve that time and attention. I am also aware of the regional support there is for the VA hospital. We have had representatives of the Philadelphia Chamber of Commerce, itself, here in support of that.

Also, I understand that your health services agency in New Jersey has approved this hospital as fitting into an overall method of health care in New Jersey. We appreciate the time you have taken to come

down here and appear before this Committee and we understand the problems you have in Camden. It was an excellent presentation that you have given to us. It was very helpful.

Mr. BOLAND. Mrs. Boggs.

Mrs. BOGGS. Thank you, Mr. Chairman.

Mr. Mayor, I do thank you for being here and taking your time to testify. I noticed in your written testimony that you quote an editorial that said that President Carter's urban proposal, which was to be made public in March, "should deter such self-defeating public policies as identifying a city as one of the country's distressed areas and then taking away the cornerstone of its revitalization plan." I wish you great success in getting this back on the road.

I would like you to know that you have a very fine proponent for all of your plans in my daughter, Barbara Sigmund of Mercer County.

Mayor ERRICHETTI. A very dear friend.

Mr. BOLAND. Thank you very much, Mayor Errichetti. Thank you again, Congressman Florio. We will put your statement in the record.

NSF-SCIENCE EDUCATION PROGRAMS

WITNESS

DR. WALTER WAETJEN, PRESIDENT, CLEVELAND STATE UNIVERSITY

Mr. BOLAND. Is Dr. Walter Waetjen here?

Dr. WAETJEN. I am here.

Mr. BOLAND. Dr. Walter Waetjen is the President of the Cleveland State University, representing the American Association of State Colleges and Universities.

Have you been here before?

Dr. WAETJEN. I have, sir.

Mr. BOLAND. We will be delighted to hear you now.

Dr. WAETJEN. I appreciate the opportunity to testify before you on the fiscal year 1979 National Science Foundation appropriation.

As you have noted, Mr. Chairman, I am Walter Waetjen, President of Cleveland State University. I am also Chairman of the Science and Technology Committee of the American Association of State Colleges and Universities—AASCU.

AASCU is an association of 325 public four-year colleges and universities which enroll approximately 2,300,000 students—about 30 percent of the four-year students in the United States.

My testimony will highlight three issues: the National Science Foundation's use of faculty peer reviewers from four- and five-year colleges, the proposed Cabinet level Department of Education, and the NSF FY 1979 science education budget.

During the past year, the AASCU Committee on Science and Technology has spent considerable time developing and implementing an NSF Peer Review Submission Program.

In the spring of 1977, and again this spring, the committee has solicited the names of potential NSF peer reviewers from the presidents of all AASCU institutions.

From the several hundred biographies submitted to the committee, our committee meeting this week in Washington selected approxi-

mately 150 names to submit to NSF officials for consideration as peer reviewers. As I am testifying, the other members of the committee are meeting with NSF officials to discuss their work.

Last year we learned that more than 25 percent of the nearly 90 persons whose names we submitted to the Director of Mathematical and Physical Sciences and Engineering had been asked to serve as reviewers or panel members in the last two years.

The net impact is that NSF peer review panels will reflect a greater representation of faculty from the nation's colleges and universities.

To my second point concerning the extent to which it is advisable that the Science Education Directorate should remain in NSF or be transferred to a Department of Education, we oppose removing the Science Education Directorate from the National Science Foundation and placing it under the jurisdiction of a proposed Cabinet level Department of Education.

Science education and scientific research are interdependent. Congress recognized this interdependence when it established the National Science Foundation.

The law creating the Foundation charged it "To develop and encourage the pursuit of a national policy for the promotion of basic research and education in the sciences."

The quality of science education programs and the quality of scientific research would suffer if either were deprived of the stimulus of the other.

I am including in my testimony a copy of the letter which I wrote to President Carter on behalf of the AASCU members expressing our opposition to moving the Science Education Directorate to a Cabinet level Department of Education.

Now I turn to the FY 1979 science education budget.

We have appreciated the support this Committee has given the science education programs, but we do think they require more funds.

We recognize that this is a period of budgetary stringency; nevertheless, we urge you not to reduce the budget of this program.

The requested expenditures for science education in fiscal 1979 already represent a 79 percent reduction in real dollars or purchasing power from 1968.

Science education programs are essential for the scientific education of all American citizens in our complex and advanced technological society.

With respect to undergraduate research participation, we strongly support the continuation of the Undergraduate Research Participation Program—URP—and we hope that this program can be funded at $5 million in Fiscal 1979.

This program offers an opportunity for scientifically talented and motivated undergraduates to work on research projects with faculty scientists and with industrial scientists in their laboratories. Students obtain research experience and expand their scientific knowledge.

As you know, NSF officals reported to Congress they had reluctantly decided to phase out the URP Program this year because it did not, in NSF's opinion, effectively identify scientific talent among minority and women students.

The first URP Program announcement in 1958 said the purpose of the program was "To accelerate and enrich the development of undergraduate science majors—later 'students' through a direct experience in current research."

We would like to point out that the program does enhance the development of undergraduate students—at colleges such as Florida A&M, Texas Southern, and Mount Holyoke, as well as such institutions as the College of Wooster in Ohio, and the University of Missouri—all of which received awards under the program last year.

I urge the Committee to approve the $5 million for this program in fiscal 1979 to enable more undergraduate students to have an opportunity to compete for participation in this type of scientific educational experience.

I turn now to another part of the budget. That has to do with the Instructional Scientific Equipment Program, or ISEP, as it is known.

We request $9 million for the Instructional Scientific Equipment Program. The NSF budget request is $3 million, a decrease of $588,000 from the planned expenditures for ISEP in FY 1978.

Under the ISEP Program, the educational institution and the NSF match funds to purchase equipment to implement new or improved instructional programs in science and engineering.

NSF grants are limited to $20,000 per project, and must be matched from non-NSF funds, and generally from non-federal moneys.

The matching fund arrangement insures that only high priority equipment is acquired.

Many institutions such as my own that have been fortunate in acquiring scientific equipment through ISEP grants have worn out the equipment and need to replace it. Equipment replacement is every bit as important as the acquisition of new equipment. Therefore, we request that Congress increase the funds for ISEP and expand the program to allow institutions to seek funds for worn out and obsolete equipment.

I close, Mr. Chairman and members of the Committee, with respect to the Science for Citizens.

We continue as an organization to support this program and hope that it will fulfill its promise in making available more and better scientific educational material for American citizens to improve their scientific understanding.

Mr. Chairman, this completes my testimony. I appreciate the opportunity to appear before you, and will be glad to answer your questions.

Thank you.

Mr. BOLAND. Thank you very much, Dr. Waetjen. This Committee is always interested in listening to the comments of the American Association of State Colleges and Universities with respect to the budget of the NSF.

I take it that the—as you have indicated—you think the NSF does require the Science Education Program to acquire more funding.

As I listen to you, I take it that you are particularly interested in the Undergraduate Participation Research Program and you think there ought to be some $5 million added to the budget for this program and to increase from $3 million to $9 million the Instructional Scientific Equipment Program.

Are those the only two areas that you have a specific interest in increasing the budget?

Dr. WAETJEN. These are the major areas in which we do have interest and concern.

I would hope, if I could just digress for one moment in answering that question, I would hope that at some time the Congress would

consider establishing a percentage of funding for the Science Education Programs in relation to the total research budget.

I think that has not been done. It could very well be worthwhile doing that.

For example, if the Science Education Programs were a certain percentage of the research programs, I think it would indicate clearly what the commitment would be.

Mr. BOLAND. That, of course, would require additional funding in order to satisfy that desire.

Dr. WAETJEN. It may, depending upon the percentage.

Mr. BOLAND. Or in cutting into other areas.

There is a limit to what the government can do in spending money, although sometimes those of us who serve in the Congress don't seem to think there is.

The National Science Foundation, as you know, is 26 years old, it started with $250,000. It is now up around $850 million.

The Congress and the people of the United States have not been niggardly at all. I think they have perhaps measured up to the responsibility that the nation has in this particular field.

What about the Cleveland State University? Do you operate on a fiscal year or calendar year budget?

Dr. WAETJEN. Fiscal year.

Mr. BOLAND. Let me ask you: for fiscal year 1976, what was the budget at Cleveland State University?

Dr. WAETJEN. It was $40 million; slightly in excess of that.

Mr. BOLAND. What did you request of the legislature in that year?

Dr. WAETJEN. About 60 percent of that would have come from the legislature and the rest from student fees.

Mr. BOLAND. Sixty percent would come through legislation. Was that all you requested?

Dr. WAETJEN. No. That was not all we requested. I recognize now the subtlety in the way you asked the question.

Mr. BOLAND. I just want to find out about the state universities. That is true, of course. It is not only true of Cleveland State University. It is true of all universities that are state universities or colleges throughout the United States; the request is always more than what is appropriated. It certainly is so in the State of Massachusetts, because there has been a rather continuing battle between the presidents of some of our state universities, colleges, and community colleges, and the legislature and the Governor.

In any event, what I wanted to point out is we are not the only ones involved in this area with respect to cutting back requests that are made by agencies of the government.

You experience the same problem with your own university.

Dr. WAETJEN. Mr. Chairman, we do indeed. I recognize that both at the state level, state legislative level, and also at the federal level, that the funding has not been something that I would complain about. That is not my purpose.

I think state legislatures and federal Congresses have done an amazingly good job.

Mr. BOLAND. You make a point in opposition to any effort which would split off the Science Education Directorate from the National Science Foundation and put it in the proposed new Department of

Education. Is that the only area? Do you favor the creation of a Department of Education?

Dr. WAETJEN. I think I, just speaking for myself, not for the association that I am representing, I would have to say yes, I do oppose putting the Science Education Directorate in that Department, however.

Br. BOLAND. You would oppose putting the Directorate, the Science Education Directorate, in that Department?

Dr. WAETJEN. I do, by all means.

As I tried to point out, I think what the Congress recognized when NSF was created that science and education are parts of the parcel.

In my judgment, looking at my own university and also the one with which I was associated for 25 years only a stone's throw from here, the University of Maryland, to separate those two activities in my judgment would be a serious error.

Mr. BOLAND. Well, I would agree with you. I would not quarrel with the position of your organization. This is the position of your organization?

Dr. WAETJEN. Yes, it is.

Mr. BOLAND. I certainly do not quarrel with that. I am delighted that the association has taken a position on it.

The matter of the creation of the Department of Education, of course, is a matter coming under the purview of another committee, the Committee on Government Operations. I have a feeling you don't have to worry too much about that this year.

Mr. Coughlin?

Mr. COUGHLIN. Thank you, Mr. Chairman.

The Chairman has appropriately pointed out the increasing government support for scientific study and research. Let me point out that a great deal of that increased attention and support has been the result of the efforts of the Chairman himself. I want to just have that included in the record.

Thank you, Mr. Chairman.

Mr. BOLAND. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

I would like to compliment you on making certain that a greater representation of faculty from the Nation's colleges and universities is reflected in the NSF peer review panels.

Dr. WAETJEN. Thank you, Mrs. Boggs.

Mr. BOLAND. Let me state for the record that Congressman Stokes would be here, but he is chairing another very important subcommittee. He asked me to express his regrets at not being able to welcome you.

Mr. BOLAND. Thank you very much, Dr. Waetjen.

[Document follows:]

CLEVELAND STATE UNIVERSITY,
Cleveland, Ohio, March 16, 1978.

The PRESIDENT,
The White House, Washington, D.C.

MY DEAR MR. PRESIDENT: This letter is written to you on behalf of the Presidents of the member institutions of the American Association of State Colleges and Universities (AASCU), an organization of 325 public, four-year colleges and universities which enroll approximately 2,250,000 students—about one-third of the four-year students in the United States. Additionally, we offer graduate programs and conduct significant amounts of research.

As Chairman of the Science and Technology Committee of AASCU, I felt it necessary to express the opinion of our organization with respect to your rumored intention to transfer the Science Education Directorate from the National Science Foundation, and place it under the jurisdiction of a proposed Cabinet-level Department of Education. We are opposed to such a transfer, and the opposition is because of educational considerations rather than resistance to change. Briefly, I shall describe those educational considerations.

One of the worst dichotomies that has arisen in the minds of the American people is that of education vs. research. It assumes that one actively can, or does, occur in the absence of the other. Congress recognized the fallacy of the dichotomy in the language it used to create the National Science Foundation, charging it "to develop and encourage the pursuit of a national policy for the promotion of basic research *and* education in the sciences." (Emphasis added.) Neither education nor research can proceed effectively or efficiently in the absence of the other for they are interdependent activities. To move the Science Education Directorate from NSF to the proposed Department of Education would undermine the quality of research activities and educational activities.

I urge, Mr. President, that you retain the Science Education Directorate within the National Science Foundation.

Sincerely yours,

WALTER B. WAETJEN, *President.*

NASA AND EPA

WITNESS

HON. DALE MILFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BOLAND. Why don't you move to the center of the table here? We will be delighted to hear from you. You appear with reference to items both in the NASA and EPA budgets.

Mr. MILFORD. Thank you, Mr. Chairman.

Mr. Chairman, with your permission, let me submit two detailed statements on what I want to testify to try to save time.

Mr. BOLAND. We will put them in the record.

[The complete statement follows:]

STATEMENT OF CONGRESSMAN DALE MILFORD

Mr. Chairman, I represent a district in the vicinity of Dallas-Ft. Worth. These two large metropolitan complexes are surrounded by more than a score of smaller satellite towns and cities. For this reason, some of the problems faced by all major U.S. cities seem magnified in the area I represent. Not the least of these problems for Dallas-Fort Worth is solid waste disposal.

Solid waste disposal has become a serious problem for all cities; mayors consistently rank it as their second or third most pressing concern. Existing landfills are reaching capacity in many cities. New landfills are extremely difficult to site, and must be located at increasingly farther distances from the cities. Many local political leaders throughout the United States are eager to move to resource recovery as an alternative to landfills.

The problems of dealing with solid waste fall squarely on the shoulders of local governments. Each and every day, local governments are faced with what to do with the mounting quantities of waste being generated. New regulations issued under the terms of the Resource Conservation and Recovery Act (P.L. 95–580) magnify this local problem by increasing the environmental controls necessary for land disposal. Most communities are hard pressed financially to address these new disposal requirements and to develop alternatives such as resource conservation and recovery.

P.L. 95–580 provides the legislative authority in Section 4008(A)(2) to assist local governments by providing funding for implementing solid waste management programs. This is not construction funding, but planning and feasibility study support. Yet, the Administration's budget request for FY 1979 did not include funds for this purpose, apparently due to other budget priorities.

I was encouraged when the President recently announced, as part of his National Urban Policy, that he will request $15 million for EPA for FY 1979

to provide grants of $300,000 to $400,000 to cities for feasibility studies of solid waste recovery systems. I have been informed that the program is to be carried out under Section 4008(A)(2) of P.L. 95-580. I believe that rapid appropriation of these funds in FY 1979 and following years in fully justified and extremely important, as well as providing similar funds for other local solid waste planning needs.

Mr. Chairman, I strongly urge you and your subcommittee to support the request for appropriations for this program.

REMARKS OF HON. DALE MILFORD

Mr. Chairman, I want to thank the Subcommittee for again affording me this opportunity to present the results of my Subcommittee's review of the FY 1979 NASA Aeronautics budget.

As you know, the annual NASA authorization bill is considered by two subcommittees, each specializing in a particular area. The space portion falls within the jurisdiction of the Space Science and Applications Subcommittee under the chairmanship of the Honorable Don Fuqua. The aeronautics portion is reviewed by the Subcommittee on Transportation, Aviation and Weather, which I chair. It is the latter portion that I wish to address briefly.

The program for FY 1979 represents a continuation of NASA's efforts to expand our knowledge in virtually all areas of aeronautical technology. The funding request for FY 1979 represents real growth of approximately 8 percent. This is the second year of real growth in aeronautics after a long period of decline.

As you know, the Science and Technology Committee has repeatedly urged the Administration to increase its support of aeronautical R&D. We have long felt that this was necessary because of the demonstratable cause and effect between such investments and the preservation of our world leadership in aviation. And of course, that leadership is very important to all of us. It means billions of dollars each year in positive balance of trade from the sale of commercial aircraft, and it means millions of jobs for Americans. So, I am happy to see, a continuation of the momentum started last year.

We found during the course of extensive hearings and field visits that the NASA aeronautics program is exceptionally well managed and although the dollar amount is still too small (only $292 million this year), the payoff is proportionally very large.

I won't attempt to cover each of the line items in the budget in this overview, but there are four areas that deserve special comment.

The Committee saw fit to increase or to otherwise rearrange the funds within the aeronautics line item as follows:

1. We added $8 million to accelerate the Variable Cycle Engine program. As you know, the VCE program is aimed at demonstrating the technology for a new kind of jet engine, one which will have wide application to a number of future civil as well as military aircraft. The work to date has been at a low level, but appears very promising, so far.

This year NASA requested an increase in funding to permit the kind of testing that is needed to confirm their early results. But OMB rejected the request. We felt that this action was one of false economy.

At the same time we added $4 million to augment the airframe related aspects of supersonic cruise research.

2. To offset these two items we took a corresponding cut of $12 million in two programs, each with a high content of work with near-term application. This action reflected our desire to address an imbalance in NASA aeronautical programs in favor of such work.

3. We added $1.5 million to establish a new subline item for agricultural aircraft technology.

4. Finally, we restored $26.7 million that OMB had cut from the composites program. The objective of this program is to demonstrate the use of a new class of light weight materials on current airplanes, thereby improving their fuel efficiency. The Administration eliminated the very necessary flight test phase of the program, citing as their reason, a concern about suspected environmental hazards associated with the use of composites. While this concern surely needs to be fully investigated, I believe the reason was really budget cutting. Again, I feel this is extremely short-sighted. Composite materials show great potential for reducing

the cost of air transportation. But their use must be demonstrated before manufacturers will assume the risks implicit in their introduction.

Thank you Mr. Chairman. That completes my statement.

Mr. MILFORD. I would like to discuss two items. One is of parochial interest to my district. The other has to do with the subcommittee which I chair.

In Public Law 95–580, Congress authorized funding of planning grants to the various cities and regions for the study of solid waste recovery facilities. We have never appropriated funds for that.

Recently the President announced his intent to recommend a $15 million annual funding in his National Urban Policy.

I represent a large metroplex area, the Dallas-Ft. Worth area that has some 20 municipalities and 3 million people in this urban area with some very serious problems.

These are located in the Trinity River Valley where the water table is rather high.

Each of these suburban and major urban areas have reached almost a critical stage of trying to find a place to dump trash. We feel the area is ideal for a solid waste recovery facility based on a large urban area surrounded by some 20 municipalities.

If we were to fund that provision in Public Law 95–580, it would allow planning for not only my metropolitan area, but several others in the nation.

I feel it is vital and that $15 million for the whole nation is not that much.

I strongly urge this Committee to consider funding this year rather than waiting for the President's National Urban Policy to be acted upon next year.

The second item, Mr. Chairman, deals with the program for fiscal year 1979 representing a continuation of NASA's effort to expand our knowledge in virtually all areas of aeronautical technology.

Funding request for 1979 represents real growth of approximately 8 percent. This is the second year of real growth in aeronautics after a long period of decline.

We found during the course of extensive hearings and field visits that the NASA aeronautics program is exceptionally well managed.

Although the dollar amount is still too small—it is only a total of $292 million for this year—the payoff is proportionately very large.

Our Committee saw fit to increase or otherwise rearrange the funds within the aeronautics line item as follows:

Number one, we added $8 million to accelerate the variable cycle engine program.

As you know, Mr. Chairman, the variable cycle engine program is aimed at demonstrating the technology for a new kind of jet engine, one which will have very wide application to a number of future civil as well as military aircraft.

The work to date has been at a very low level, but it appears very promising.

This year NASA requested an increase in funding to permit the kind of testing that is needed to confirm their earlier results but OMB rejected the request.

We felt that this action was one of false economy.

At the same time, we added $4 million to augment the air frame related aspects of supersonic cruise research.

To offset these two items, we took a corresponding cut of $12 million in two programs, each with a high content of work with a near-term application.

This action reflects—reflected our desires to address an imbalance in NASA where aeronautical programs in favor of such work.

I would point out, too, Mr. Chairman, that the President has indicated his intent to concentrate on long-term items as opposed to near-term research.

Number three, we added $1.5 million to establish a new sub line item for agricultural aircraft technology.

We put that in each year. It has been struck out.

Number four, and finally——

Mr. BOLAND. What does that do?

Mr. MILFORD. It is a study of the aerodynamics or wind patterns in the laying down of insecticides. In other words, trying to take a look at the air frame and see what we need to do in order to get a better distribution of the insecticide with less environmental damage that goes along with it.

It is a very good program, as a matter of fact.

Number 4, we restored $26.7 million that OMB had cut from the composites program. To me, this is the most important step that we took in the committee.

The objective of this program was to demonstrate the use of a new class of lightweight materials on current airplanes, thereby improving their fuel efficiency.

The Administration eliminated the very necessary flight test phase of the program. They cited as their reason a concern about suspected environmental hazards associated with the use of composites.

While this concern surely needs to be fully investigated—and incidentally, is being investigated—I believe that the reason was really a budget cutting exercise.

Again, I feel this is extremely shortsighted.

Composite materials show great potential for reducing the cost of air transportation, but their use must be demonstrated before manufacturers will assume the risk implicit in their introduction.

Mr. Chairman, that is all I have. I would be glad to answer any questions members of the Committee might have.

Mr. BOLAND. Thank you very much.

With respect to the $8 mililon to accelerate the variable cycle engine program, that is an important program. I don't know what the subcommittee will do with it. I have been impressed with it. It does meet some of the problems we are going to face in the future on this area.

Mr. Coughlin?

Mr. COUGHLIN. Thank you, Mr. Chairman.

I certainly am very sympathetic, particularly with your interest in the solid waste program. In my own community, these things all interact. We just put in a brand new incinerator a few years ago. We have it shut down because of environmental pollution in the air. Now we are faced with the problem of what you use to incinerate.

The metropolitan Philadelphia area has been considering taking solid wastes by train up to upstate Pennsylvania and putting it in coal mines. If you put it in those, it is a threat to the underground water supply.

Mr. MILFORD. We think our best bet would be moving it by train to an area outside of town where you could generate power.

Mr. COUGHLIN. I think the whole solid waste program is one that is deserving of increased attention.

Thank you, Mr. Chairman.

Mr. BOLAND. Thank you very much.

Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

I agree with Mr. Coughlin about solid waste programs. I congratulate you on your interest in it.

I was wondering, Dale, what are the two programs that were cut $12 million near term?

Mr. MILFORD. They had to do with some research on present day engines that are now flying in airplanes. We felt that this research would best be done by the engine manufacturers. It was getting a little too close in my mind of NASA building a mousetrap that has already been manufactured. I don't think that is really NASA's role.

Their's is one of technology development, as the President recently pointed out; or improving a concept that private enterprise is in incapable of doing such as the composites program.

The real problem of the composites is the fear of product liability. This is why the manufacturers won't move ahead. They have a fear of lawsuits. And it is an ancillary problem, one that Congress will have to look at very shortly, I think.

In the meantime, we can't allow these materials to lie on the shelf as they are now because of the lack of proving their safety.

This also is not inhibiting our foreign competitors who are moving right along with it.

We take a chance of losing a tremendous lead in this country over foreign aeronautical manufacturers.

Mrs. BOGGS. Hopefully we will go ahead with it, and perhaps build vital satellites when we have better composite materials manufactured.

Mr. MILFORD. This reduces the weight of an airplane by some 40 percent. That is a tremendous fuel savings.

Mrs. BOGGS. Thank you very much.

EPA—SOLID WASTE

WITNESS

HON. ROBERT EDGAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. BOLAND. Thank you, Dale. We thank you for joining us.

We turn now to the distinguished member from Pennsylvania, Mr. Robert Edgar. You are here on EPA solid waste disposal?

You addressed this Committee in a letter sent to us earlier this year with respect to this problem. We also have had communications from the Chairman of the Subcommittee on Transportation and Commerce.

Why don't you go ahead? I am just wondering whether or not funding was not provided because the law with respect to solid waste

didn't pass until, I think, October 21st of 1976. Maybe that may have been the reason why there was some hesitancy on the part of the EPA to request funding for it.

I would have a pretty good knowledge of this.

Mr. EDGAR. I ask unanimous consent to insert my statement. I would like to summarize.

Mr. BOLAND. Fine.

[Mr. Edgar's complete statement follows:]

Mr. Chairman, I appreciate the opportunity to testify this morning before your Subcommittee to share my concerns regarding funding of the Resource Conservation and Recovery Act (RCRA).

As you know, the Resource Conservation and Recovery Act was enacted in 1976 in an effort to address the nation's growing problem of how to dispose of hazardous and solid waste in an environmentally sound manner. Of all of our nation's many environmental problems, waste disposal may be the one problem most ignored. The old adage "out of sight, out of mind" readily describes our attitiude toward our growing waste disposal problem.

Among its goals, RCRA seeks to develop and enforce hazardous waste disposal plans, to phase out future open dumping and upgrade existing open dumps, and to promote resource recovery operations. In March, during oversight hearings on the Act before the Interstate and Foreign Commerce Subcommittee on Transportation and Commerce, one witness after another testified that the effectiveness of the Act was being seriously undermined because of the meager level of funds that have been provided. Of $179 million authorized in FY 1978, less than $40 million was appropriated. In FY 1979, the outlook is much the same; the Administration has requested only $56.9 million out of nearly $200 million authorized.

RCRA calls on the states to develop and implement state plans for hazardous waste management and solid waste management. Subtitle C, Section 3011(a) authorizes $25 million in FY 1979 for grants to states for purposes of assisting the states in the development and implementation of hazardous waste programs that will adhere to EPA guidelines. Subtitle D, Section 4008 (a)(1) authorizes $40 million in FY 1979 for grants to states for the development and implementation of environmentally sound solid waste disposal plans. Of this $65 million authorized, only $26.2 million has been requested: $11.2 million for hazardous waste planning and $15 million for solid waste planning, all of which must be divided among 50 states. While these modest authorization levels may be adequate to accomplish the goals of RCRA, the levels of appropriations requested by the Administration are inadequate to facilitate hazardous and solid waste planning efforts by state and local governments.

As I prepared my testimony for last month's oversight hearings, I was in contact with planning personnel from many states across the country who are alarmed by the lack of funds being provided. The general feeling is that the federal government is not serious in its intent to deal with our waste problem. As EPA progresses with the development of regulations governing disposal practices, and state and local governments move toward compliance, the need for financial assistance is increasing. A crucial factor in the short-run success of RCRA is adequate funding.

While I don't wish to appear to have a parochial interest in this issue, I would like to use Pennsylvania's predicament to illustrate what the states are up against. The funding concerns of the Pennsylvania Department of Environmental Resources are typical of the concerns of many other state agencies with whom I have been in contact. The Department has a relatively well-advanced solid waste program of its own; however, the state does not have an effective hazardous waste program and recognizes the need to develop, administer, and enforce a hazardous waste program equivalent to the federal program outlined in RCRA. However, the Department's own budget has been so severely cut back in recent months that it cannot press for any new programs when existing ones are being curtailed. With the federal government failing to provide the modest amount of funds authorized under RCRA for state planning

)d implementation, Pennsylvania very likely will decide not to seek authorization ,or its own hazardous waste regulatory program, forcing the federal government to accept responsibility in this area. If other states take similar action, one of the most important goals of RCRA--to leave implementation and enforcement to the states--will be defeated.

Therefore, I would like to request that the level of appropriations for Sections 3011(a) and 4008(a)(1) be raised by at least $5 million in order to facilitate hazardous and solid waste planning efforts by state and local governments.

As members of the Subcommittee know, the President's recently announced urban plan calls for $15 million for EPA to provide grants of $300,000 to $400,000 to cities for feasibility studies of solid waste recovery systems. Such systems are able to process trash by recovering materials such as metal and glass and then converting much of the remaining portion into some form of usable energy. Resource recovery systems have tremendous potential to assist us in meeting a portion of our energy needs while reducing our need for landfills. Although the details of the President's proposal have not yet been spelled out, it is my understanding that no new authority is needed to provide the $15 million requested by the President.

Yesterday, I visited the National Center for Resource Recovery's testing and demonstration plant here in Washington. I was somewhat surprised to find the technology and equipment used to process and separate the municipal waste and produce fuel pellets relatively simple to understand. Resource recovery is not a "pie in the sky"--it's a legitimate tool for us to use to manage our solid waste. Resource recovery is not, of course, without its risks and problems, many of which occur when demonstration projects are scaled up to full size. However, many of these problems will be resolved as more resource recovery facilities come on line. It is important, therefore, that the push toward resource recovery begin now so that these problems can be worked out before our national waste disposal problem becomes any more critical.

While I am very pleased with the inclusion of these funds for cities, we cannot ignore the needs of smaller communities for some financial assistance to implement solid waste management programs. To date, none of the $15 million authorized in Section 4008(2)(C) for assistance to local governments to implement programs to provide solid waste management, resource recovery, and resource conservation and hazardous waste management has been appropriated. This "seed money" can be used, for example, to pay for consulting services, to fund feasibility studies, market surveys, and analyses, and to pay for legal services. Many communities are now in a position to make use of these funds. Rural communities are also facing financial problems in trying to close open dumps and develop more acceptable waste management plans. Because of the great need for local implementation funds, I am requesting that the full $15 million under Section 4008(2)(C) be appropriated in FY 1979.

If RCRA is to be a valuable tool in helping state and local governments develop sound waste management practices, the very modest amounts of planning and implementation monies authorized under the Act must be appropriated. As the federal government through EPA moves to implement the provisions of the Act and pressures on local governments grow, the federal government must follow through on its financial commitment to enable local governments to adopt environmentally sound waste management programs.

This concludes my formal testimony. Again, thank you for this opportunity to share my concerns.

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Mr. EDGAR. My staff and I have taken on the issue of resource recovery and solid waste as a priority of our office. We have done a lot of research, including several visits. Yesterday we visited the National Center for Resource Recovery. It's a testing and demonstration plant here in Washington. It gave us a good opportunity to see some of the new technologies being developed in this area.

What we discovered over the last three or four months is that because of the lack of funding of the major programs in RCRA, there is a lag in the development, the planning, and the initiation of resource recovery facilities. We were very pleased to pressure as well as to see implemented in the President's urban policy the initiation of $15 million for local and state planning. That's a very small amount of money, but it's a necessary amount to get the beginning funds of up-front money to many of the communities who are trying to plan and develop feasibility studies, where to turn. I live in a neighbor organization community to our college, Mr. Coughlin. We have been cited by EPA for having our air quality disturbed by our incinerators and the need to close down incinerators.

I personally feel in light of the urban policy and energy policy, that moving aggressively in the area of resource recovery is important. This is one environmental area that has been heavily ignored. I think a lot of us would like to get our trash and move it to someplace where we don't see it. I think that we in Congress have an opportunity with some additional funding levels as well as additional interest on our part to challenge the United States to see resource recovery as part of its energy policy as well as part of its land use policy.

I think many of us are concerned about the increasing amounts of waste of our open space by our land use policy, which simply takes all our trash and dumps it in open dumps.

You will see as you carefully review my statement that we point out a typical problem in the State of Pennsylvania, where, because of the lack of funding, the state efforts have been hampered, and I believe that with an additional amount of funding that this Committee could authorize and appropriate, we would be able to move a little more aggressively in this whole area of resource recovery.

Mr. BOLAND. Are you particularly interested in the $15 million authorized in Section 4008(a)(2)(C) for assistance to local governments? Is that really what your request is?

Mr. EDGAR. We are asking for an additional $5 million in the total authorization under the $26.2 million that was requested by the Administration. We also want to see full funding of the $15 million for local planning.

The dollars in the President's urban policy relate to that.

Mr. BOLAND. The Section 5011–A, these are grants to cities for hazardous waste program and Section 4008(a)(2)(C) grants the states authority for the implementation of the state plans. The amount in the budget is $26.2 million. You would request an additional $5 million more to that?

Mr. EDGAR. We would like to see a lot more to that if at all possible. We are trying to be as realistic as possible in the increase.

Your staff is probably more familiar than we are as to the limitations of the total budget, but we think that you can provide some real leadership in allowing the dollars to flow into the local and state

planning, the EPA programs which relate to solid waste, and by initiating your interests, I think we can stimulate interest out in the communities who are suffering at this point.

Many of them are having difficulty with up-front money, with the feasibility studies. A number of private sector industries that are willing to come in after those feasibility studies are made to develop the plants and to move on line with resource recovery facilities.

Mr. BOLAND. I know that resource recovery facilities are very expensive installations, but there is no way that you can get a determination on this unless there is planning, and that is in the area I think that could be addressed. You do need some seed money, as you have indicated, for consulting services, market surveys and analyses. We would be glad to give a look at this program.

Mr. EDGAR .What we essentially need are tools to local and state governments to be able to do the feasibility studies and to prove that it's possible. There has been an insufficient research, in my opinion, to demonstrate that these projects in fact work. The Federal Government should act as a catalyst for expanding this. I think the bulk of the funds will eventually come from the private sector. I think there is money to be made. Here in the Washington plant, we were given several of the pellets that can in fact be burned as supplemental to the coal processes.

One of the key elements of the President's energy plan was the coal conversion, and if we do move to coal conversion, the development of resource recovery facilities that will take a part of it and make it into a supplemental fuel to that coal operation, I think this can be helpful and beneficial to all of us. The sorting out of other materials is also helpful in terms of recycling glass and tin and other products, but I don't think we can do it if we continue to starve these basic areas of resource recovery for lack of funds.

Mr. BOLAND. Thank you very much. We appreciate your appearance here.

Larry?

Mr. COUGHLIN. I want to welcome my neighbor before the Committee. I welcome his statement. As I understand it, what you are specifically asking is $5 million over the $26.2 million?

Mr. EDGAR. That's correct.

Mr. COUGHLIN. In this area—earmarked specifically for solid waste planning?

Mr. EDGAR. Yes. We feel that the planning moneys are really essential at this point.

Mr. COUGHLIN. Thank you.

Mr. BOLAND. Lindy?

Mrs. BOGGS. I would like to thank you, too, Bob, for including the smaller communities. Even though I represent a large city, I also represent some small communities and they are having some problems in regard to the closing down of their disposal units and so on.

Mr. EDGAR. I appreciate that. We see it as a need for both the larger metropolitan areas and the small communities and we think the Federal Government can be helpful in giving them some planning funds to begin their processes.

Mrs. BOGGS. Thank you.

Mr. BOLAND. Thank you very much, Bob. We were delighted to have you.

WITNESS

HON. DAVID STOCKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

We will turn to the testimony of our colleague from the State of Michigan, Dave Stockman.

I understand you are the only member serving on the National Commission of Air Quality.

Mr. STOCKMAN. There are two from the House, two from the Senate.

Mr. BOLAND. Who are the two from the House?

Mr. STOCKMAN. I imagine Paul Rogers will be the other. The statute says the ranking minority member and Chairman of the Commerce Committee. I have been designated to serve.

Mr. BOLAND. When was your designation made?

Mr. STOCKMAN. Probably two months ago by letter. The problem we have is this was created in the Clean Air Act amendments last September. The first report was due March 1st. The Commission has not even been assembled, created or designated yet, particularly the Senate members, to be appointed by the White House.

Mr. BOLAND. We are delighted to have a representative from the State of Michigan who is a member of the National Commission on Air Quality.

As I understand, it is an 11-man commission. As I recall we supplied something like $2 million. The request was for a 1978 supplemental for $2 million.

The 1979 budget contains a request for $4 million. How many members are there now presently appointed?

Mr. STOCKMAN. Well, I believe the four Congressional members would be in place. The seven public members are to be appointed by the White House. They have been working on a list for many months now. Something keeps coming up at the last minute, whereby apparently one or another name has been dropped.

As I understand it, they are ready now to make those appointments. As soon as they are made, the Commission could be organized and begin functioning.

We would need a supplemental for the remainder of this fiscal year.

My particular concern today, though, is that the appropriation for next year's budget, FY 1979, would be provided as well.

I really think it is critical that we have this Commission. I know on this Subcommittee in particular you have probably become a little jaundiced about more national study commissions.

We probably have hundreds of them functioning at the present time. But, nevertheless, in the air quality area, we need it to parallel the very successful experience that we had with the National Commission on Water Quality a few years ago.

We passed the Clean Air Act in 1970. We did it largely flying blind by the seat of our pants. We had no idea the exact relationship between pollutants in the air and health effects. We only had a general idea of how you bring about certain ambient air quality levels, in terms of relating them to the control strategies on a source-by-source basis that you would have to impose. We had no idea of the cost of the very ambitious goals that were set in the Clean Air Act of 1970.

Even more importantly, we had little awareness of some of the dilemmas that would occur once that Act was put in place. Nobody ever heard of such a thing as PSD, prevention of significant deterioration. We knew nothing about the control of NOX, nitrogen oxide, in terms of stationary versus mobile, factories versus automobiles. We had the vaguest ideas about engineering versus a performance standard approach to controlling pollution.

What has happened in the interim seven years is every year we have had amendments to the Clean Air Act. We tampered, tinkered, amended, and modified, until today we have a statute which is just incomprehensible. It has more exceptions and exemptions than rules. We have very little understanding of the full cost implications that are just now beginning to bear down on the economy.

We have many features of the Clean Air Act program in place today that were mandated by the courts and have never even been looked at seriously by the Congress. What I am suggesting here is it is time for a midcourse direction on the Clean Air Act just like we had in the Clean Water Act, as a result of the very substantial and broad range of recommendations that were made by the National Commission on Water Quality. Those became the basis then for the amendments to the Clean Water Act adopted last year.

I would see this National Commission on Air Quality performing the same function, a midcourse assessment of where we are with the Clean Air Act, detailed studies over the course of the next two years, and then hopefully by 1980, a comprehensive set of recommendations that would allow us to revamp, consolidate, to streamline the Clean Air Program, much like we fairly successfully did this year with the Clean Water Act amendments.

Those are the reasons why I think this Commission is very important. I would hope that the Administration would move to make the appointments and that this Subcommittee would appropriate the necessary funds so that we can begin this very major task that we have before us.

Mr. BOLAND. Thank you very much, Dave.

I must say that sitting here listening to the requests of various agencies, particularly the EPA, with reference to those areas of which the National Commission will interest itself, I think this is a terribly important commission in many ways. As you say, and I think at times, using your expression, the EPA does fly by the seat of its pants.

This is a very important and a very difficult area. As you have indicated here, your purpose is to illustrate the very real need we have for a thorough examination of air pollution control policies. I think that is needed, and frankly we are never going to get it, unless we have this kind of commission doing it.

Mr. STOCKMAN. Yes.

See, Mr. Chairman, if I may interject here, the problem with the standing committee on which I serve is that when we are faced with legislative changes or amendments, we are doing it on an urgency, contingency basis, because we don't want the automobile industry to shut down next fall.

We have to make quick adjustments like we did on the auto emissions standards. This was primarily what was involved in the 1977 amendments, things that had to be done right now to prevent chaos from breaking out.

We can't go on indefinitely year after year on that kind of crisis basis. That's why we need a body of top people in the area, enough detached, and with enough time, and with enough resources to look at this thing from the top down and then make a broad series of recommendations that the Committee can chew over and hopefully act on in a more systematic way.

Mr. BOLAND. What might be the reason for the delay in the Presidential appointments to the Commission?

Mr. STOCKMAN. I have been having a hard time figuring that out. We have tried to find out who is responsible at EPA and in the White House for designating those seven people that the Act required, when it was signed into law last September.

We have a hard time locating that individual.

So what I am suggesting here is that there's been probably a little bit of disorganization and maybe not sufficient priority attached to this at the White House.

I do know they have a list now. They were ready to announce it a week ago, as I understand it. At the last minute, one of the seven people took a job which made it impossible for him to serve on the Commission.

They had to go back to the drawing boards to get another name. I expect they will be announcing these shortly.

Mr. BOLAND. I would expect that when the Commission is in place, if it is in place by the time we can supply a 1978 supplemental, I am sure this Subcommittee would do it.

I don't know that it will need $2 million though.

Mr. STOCKMAN. Not at this late date. That was based on setting up last October. It should have been started then. We are behind. It is urgent that we have the signal from this Committee that it will be funded, and we can start to move and make up some of this lost time, especially the report that is due on March 1st that we already missed.

Mr. BOLAND. Larry?

Mr. COUGHLIN. Thank you, Mr. Chairman. I want to congratulate our colleague for his interest and efforts in this area. They are well-known and outstanding. I must say that I am very sympathetic with this. Just yesterday I had in my office a number of constituents who were going through the excruciating process of being mandated to meet existing ambient air quality standards which are to be reviewed by EPA by 1980 and may be different then. They are being asked to lay out substantial sums of money now to meet standards which may not be the same in 1980, which is the time frame which it will take to install the equipment.

Mr. STOCKMAN. This is the whole problem in the Act. It is changing too much. There are so many indefinite aspects to it that you are really deterring the investment necessary to clean up the air, because no one knows whether this large investment will meet a new standard coming down the road two years, or not.

Mr. COUGHLIN. This constant changing.

Mr. STOCKMAN. It is much turmoil.

Mr. COUGHLIN. It is making it impossible for people to comply. That's one of the great complaints about what we do.

I also guess that my colleague is not the only person that has had difficulty getting something out of the White House. I hope the White House will make those appointments.

Mr. STOCKMAN. I think they will.
Mrs. BOGGS. Mr. Chairman, thank you.
I feel we are very fortunate to have you on the Commission.
Mr. BOLAND. Thank you for your presence here.
Mr. STOCKMAN. Thank you, Mr. Chairman.
[The complete statement of Mr. Stockman follows:]

STATEMENT OF HON. DAVE STOCKMAN

Mr. Chairman, I welcome the opportunity to appear before the Subcommittee today as you consider the appropriation for the National Commission on Air Quality. In the interest of full disclosure, the Members of the Subcommittee should be aware that I have a stake in the outcome of the deliberations. Our distinguished colleague, Mr. Devine of Ohio, has chosen me to serve on the Commission as the representative of the minority members of the Committee on Interstate and Foreign Commerce.

At times it seems that we in the Congress are prone to the creation of an excess of publicly-funded groups with a mandate to study difficult policy questions. Too often the only result of such expenditures is the publication of a report that is subsequently ignored by all concerned. In light of this history, I can sympathize with any reluctance this Subcommittee may have to appropriate funds for the National Commission on Air Quality, especially in view of the President's failure to appoint the public members of the Commission expeditiously.

But I believe that the unique history of the matters that the Commission will examine provides a compelling argument for funding the Commission at its full authorized level. The most important single topic the Commission will examine is the policy of "prevention of significant deterioration." This aspect of our air quality laws is in large measure the product of a decision of the District Court for the District of Columbia, *Sierra Club* v. *Ruckelshaus*. In that case, the Court ruled that the Environmental Protection Agency was bound by certain statements of purpose in the Air Quality Act of 1967 to protect air quality in regions significantly less polluted than the national ambient air quality standards.

In response to the 1972 decision in the *Sierra Club* case, EPA set about the development of regulations to implement the policy of prevention of significant deterioration. After nearly 2½ years of deliberations, the agency issued implementing regulations on December 5, 1974. These regulations were promptly challenged by parties representing both industry and environmental interests. The litigation over the regulations is likely to drag on for several more years.

The uncertainty engendered by the way in which the policy of prevention of significant deterioration has been developed is primarily due to the absence of a clear statutory framework. The National Commission on Air Quality is the first step toward the consideration of such a framework. Modeled on the National Commission on Water Quality, it will analyze alternative enforcement mechanisms and gather much-needed data on the effects in practice of the policy of prevention of significant deterioration.

The importance of bringing this kind of careful scrutiny to bear on this issue cannot be overstated. Prevention of significant deterioration can affect the geographic distribution of industry and population across the nation. It may indirectly determine the choice of fuels for industry, modes of transportation, and land use. It is even a consideration in international relations.

Apart from the specific study of prevention of significant deterioration, the Commission is charged with the general mandate of assessing our national air quality goals and the present enforcement mechanisms. The change in the economics of various fuels that has taken place since the original development of existing air quality laws is by itself sufficient reason to reassess the direction in which those goals point.

In addition to the broad policy questions the Commission will report on, it will examine several specific questions that remain unresolved after years of congressional debate. One of particular consequence is the appropriate level of control for emissions of oxides of nitrogen by automobiles. As you may recall from the debate over the Clean Air Act Amendments of 1977, it appears possible that very stringent emissions standards for carbon monoxide and hydrocarbons is incompatible with stringent standards for oxides of nitrogen. The Commission's first report is to be an analysis of the standards for oxides of nitrogen from the standpoint of technological feasibility and their environmental economic,

and health effects. It is extremely unfortunate that the President's delay in appointing the public members of the Commission has resulted in the deadline for this first report passing without even the first meeting of the Commission. Billions of dollars of investment in automobile manufacturing facilities may be affected by the outcome of the Commission's study.

The Commission will also examine the choices available to us in the regulation of presently unregulated pollutants that may pose a threat to public health. As the mix of fuels and the technology for burning those fuels changes, we will inevitably face a change in the characteristics of the emissions of our major industrial facilities. Rather than developing a policy in the midst of a crisis brought on by a realization that the existing regulatory framework is inappropriate to the pollutants of the future, with the aid of the Commission's report we can develop regulatory policies that avert a crisis.

Another major unresolved question for the Commission's deliberations is the regulation of the emission of unburned hydrocarbons as a means of reducing ambient levels of photochemical oxidants, better known as "smog." Recently developed scientific data suggest that natural sources play a major role in determining ambient photochemical oxidant levels in many regions of the country. Yet up to the present our efforts to control photochemical oxidants have been concentrated solely on reducing emissions of unburned hydrocarbons. We have neglected other precursors of photo-chemical oxidants, as well as possible synergistic effects.

Mr. Chairman, I have touched briefly upon only a few of the important issues the Commission will study. My purpose was to illustrate the very real need we have for a thorough examination of air pollution control policies. I hope that the Subcommittee will not take the President's inaction as an indication of the value of the Commission's work, and that you will fund the Commission at its authorized level so that when the President does come forward with his appointments, the Commission will be able to begin work immediately.

EPA-Wastewater Reuse

WITNESS

HON. GOODLOE E. BYRON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Boland. Now we will turn to Congressman Goodloe Byron from the State of Maryland.

Mr. Byron. I will be very brief.

I appreciate the opportunity to familiarize you briefly with this problem.

I might ask if you would just pick up this magazine, which Poultry Processing and Marketing and look at the article "Bureaucrats Still Pass the Buck in Waste Water Reuse Program."

On the next page, there is a picture showing Mr. Gilman Sylvester drinking recycled water from a project which EPA funded in my district several years ago.

Mr. Boland. Did he survive?

Mr. Byron. He survived.

Mr. Dave Selden, my legislative assistant is here at the moment. He also drank some of the water. In fact, he's doing a better job now than before.

I would like to say, Mr. Chairman, that these kinds of problems cropping up all the time actually bring a bad name for the operation of government, because he is the proof that this process can be done. The Government has spent a good deal of money on it.

There is a recycling process in my district in western Maryland. The company actually cooperated and spent their money. The recycling process is working, but the Agriculture Department can't

give the necessary approval and EPA will not say that the water is potable in order to permit the chicken to be sold. It is just that simple.

In fact, Agriculture didn't even know the project was under way until they read my statement in the record in 1971.

I think what I am urging the Committee to do is to put language in the record that would direct the EPA to issue the certificate or else hold up on necessary funds until they issue the certificate of potability.

I have had lengthy meetings on this matter. I tried to get the officials together. There just doesn't seem to be any reason at all except that they just don't want to stick out their proverbial necks and make the decision to certify that this project is a success, that the chickens are being processed in potable water.

Mr. BOLAND. That area is a rather substantial chicken growing area, isn't it?

Mr. BYRON. Mr. Chairman, we may be comparing it a little bit with the Eastern Shore of Maryland and Delaware. That's a major chicken area. This company has major plants in that area.

They have also located a plant up in far western Maryland, where some of the finest water is available. In fact, some of our early Presidents used to go up there and get mountain lake park water.

The reason we got this process through is that it would help preserve the pristine nature and clarity of the water up in that area. So they have actually been successful with the project.

Mr. BOLAND. I notice that in May of 1977, the EPA notified the USDA that "EPA cannot certify this waste water treatment effluent as a source of supply for drinking water because of our concern over the possible concentrations of organic chemicals and the availability of alternative drinking water supplies of higher quality."

What do you say to that?

Mr. BYRON. Well, the EPA, I think, is really going way out beyond their original project. The parameters of the original project were to prove that this water would be—would reach drinking water standards; and this has been done. This has been done. They have just not been willing to take on the responsibility to make the certification. They are finding other reasons for it. I think we have asked them to sit down with the Agriculture Department. Agriculture doesn't want to change their standard because it applies to the whole country.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. Thank you. Mr. Chairman. Isn't there a fairly close definition of potable water? Can you test the water?

It is either potable or isn't potable?

Mr. SELDEN. If I might add, the EPA raised questions about the water in 1975 and issued an additional contract to one of the nation's top experts, Dr. Randall Mann, at the University of Pittsburgh to test the water to see whether it was potable. I think they spent about $115,000 on that. He issued his conclusion, in fact, that the water was potable and met all the federal standards; EPA at this time says there may be other questions which they did not ask Dr. Randall Man to test for that they might have about the water that would prevent them from saying positively that there is absolutely nothing wrong with the water.

They won't say it is not potable, but they won't say it is potable. They say we can't make a decision.

Mr. COUGHLIN. Does that mean they don't know what is potable?

Mr. BYRON. That's my conclusion.

Then they should never have spent the money. Spending the money, you should be prepared to go one step further. We should not have demonstration plants to approve and set parameters for these grants and not be able to carry forward.

Mr. COUGHLIN. I agree.

Thank you, Mr. Chairman.

Mr. BOLAND. Lindy?

Mrs. BOGGS. Thank you, Mr. Chairman.

Does EPA say there are some organic materials in the water that would be harmful to the chicken processing?

Mr. BYRON. Not in the original water, no.

Mr. SELDEN. They said they felt the water would be safe to use for processing chickens. They had some reservations about certifying it as potable based on the assumption that as drinking water their standards call for the consumption of 2.3 liters a day. They are not sure that a person should drink that much of this water a day. They certainly felt it was safe for washing chickens.

Mr. BYRON. You are talking about the little community of Oakland, Maryland, of more than 10,000 or 12,000 people.

Mr. BOLAND. Thank you very much, Goodloe. We are glad to have you.

[The complete statement of Mr. Byron and the attachments follow:]

STATEMENT OF HON. GOODLOE E. BYRON

Mr. Chairman and Members of the Subcommittee: I would like to express my deep appreciation to you for this opportunity to present to you the problems encountered in my district by a poultry processing plant which has been unable to obtain the approval of the Environmental Protection Agency for the use of recycled water in the plant. All attempts to solve this problem have failed, and I am seeking the assistance of this Committee, through language in your Committee report, to direct the E.P.A. to approve the project.

I would like to outline briefly the history of this problem in order to put the present impasse in its proper perspective. The Sterling Processing Corporation is one of the major employers in Oakland, Maryland—the county seat of Garrett County, which is located in the mountains at the western end of Maryland. In the mid-1960's, the town of Oakland notified Sterling Processing that it expected to have difficulty supplying the large amounts of water necessary to wash and process the chickens in the plant. Furthermore, the effluent from the plant flows into the Youghiogheny River, which is a wild and scenic river. Therefore, anything that can be done to promote water conservation and reduce the effluent at the plant is very worthwhile.

Consequently, a demonstration project was designed to see if it is possible to treat the water discharged by Sterling Processing in such a way that some of the water could be recycled and reused in the plant. The plan to implement this project calls for mixing the recycled water—which is already drinking-quality pure—with regular well water on a 50–50 basis, treating it again in the plant's water purification system, and then reusing it in the plant to process chickens.

This project was funded by the federal government in January 1971 at an original cost of $146,000. Seven years and a half million dollars later, I am pleased to be able to report to this Committee that the project is a technical success. Waste water from the chicken plant is being treated and purified to such a degree that it is considered as pure as drinking water, that is, "potable", by water quality experts who have made this water the most thoroughly tested water in the country.

However, I am equally disappointed to have to report that the project is a bureaucratic failure. This project has been stymied by the failure of the Environ

mental Protection Agency and the Department of Agriculture to agree on a definition of "potability" as it applies to recycled water.

Several years after the initial grant award to the Maryland Department of Health to build the recycling system, the E.P.A.'s Office of Water Supply raised questions about the quality of the water in the system. The E.P.A. would not certify the water as potable, which is necessary to clear the way for the Department of Agriculture to approve the use of the recycled water in the chicken plant. To resolve these uncertainties about the water, the E.P.A. spent an additional $113,000 to finance further studies of the water by one of the nation's top experts in water quality, Dr. Julian Andelman of the University of Pittsburgh. Dr. Andelman concluded that the water is safe to use and poses no threat to the public health. The Maryland State Health Department also certified the water as potable. In every other poultry plant in the state, that certification alone would have been enough to obtain the approval of the Department of Agriculture for the source of water in the plant. However, because of the questions raised by E.P.A. over this project in the past, the U.S.D.A. also asked the E.P.A. Office of Water Supply to certify that the recycled water is potable. In what must be a classic example of bureaucratese, E.P.A. stated that it had no objection to the use of the recycled water in the plant, yet it would not certify that the water is potable. The problem rests with the fact that he E.P.A.'s definition of potability is based on the use of raw water, not recycled water, even though the recycled water may be of superior quality than raw water. Without a statement of potability from the E.P.A., the U.S.D.A. would not permit the use of the recycled water in the chicken plant.

The E.P.A. Office of Water Supply is unable to cite anything specific about the recycled water that causes their reluctance to certify it as potable, as so many other experts have done. Instead, at several meetings I have held to try to resolve this matter, the E.P.A. has stated that there may be some unknown qualities in the water which might suggest that it should not be used as drinking water, although it is safe to use to wash chickens. These unknown qualities were not tested for by Dr. Andelman, E.P.A. claims, because the state-of-the-art of water quality research has changed since it made its grant to him. I asked E.P.A. if it would be possible to conduct more research on the water at Sterling to answer whatever questions it might now have about the water which prevent it from certifying the water as potable. Amazingly, E.P.A. replied that it could not formulate the questions needed to conduct further research because not enough was known about whatever it is E.P.A. wants to research further. And if additional research is to be conducted, by the time it would be finished, E.P.A. stated it would have still additional questions to pose based on further developments in the field. Therefore, it would still be impossible to certify that the water is potable. In other words, the E.P.A. Office of Water Supply will never state that recycled water is potable regardless of the findings of expert after expert who has studied the water at Sterling Processing.

When I asked E.P.A. officials how they could possibly justify the expenditure of a half million dollars on the water recycling system at Sterling Processing if they had no intention of ever letting it be implemented despite its demonstrated technical feasibility, I was treated to a spontaneous display of bureaucrats instinctively explaining how each of them personally had nothing to do with the earlier decisions on the project.

I think it is important that we look at this problem from the position of my constituent, Mr. Gilman Sylvester, the President of Sterling Processing. He was recently featured on the front cover of the national trade journal, Poultry Processing and Marketing. I have given each of you a copy of this magazine to review. You will note that Mr. Sylvester's kindest characterization for his dealings with the federal government on this matter is "total frustration." You can imagine Mr. Sylvester's feelings when you consider the fact that the federal government made a commitment to this project seven years ago, has spent hundreds of thousands of dollars to make it a technical success, Mr. Sylvester has invested more than $100,000 of his company's funds in the project, and now the E.P.A. will not make the necessary decision to implement the project he has worked so hard to achieve. If it had turned out that recycled water is unsafe, then Mr. Sylvester and I could understand the E.P.A.'s inaction over this matter. But the experts have approved the Sterling water and Mr. Sylvester believes in the project. You will note that in the magazine article I have given you, Mr. Sylvester is pictured drinking the recycled water. My legislative assistant has also visited the plant and he drank the water. I am pleased to report that the quality of his work has improved markedly since that time.

To give you an example of the level of coordination between the E.P.A. and the U.S.D.A., in this matter, the U.S.D.A., which has the legal responsibility to approve the water supplies of the nation's poultry processing plants, first learned about the project from a Congressional Record statement I made in 1971 about the groundbreaking of the project!

I think it is very significant that all of these problems with the Sterling recycling project are occurring at the very time that top officials of E.P.A. have been making statements that America in the future may have to turn to water recycling and reuse as a way of conserving water supplies and meeting strict water pollution control standards. The authorization for fiscal year 1978 for research in water recycling and other drinking water research programs was $25 million. The budget request for fiscal 1979 is $10.9 million.

If there is ever to be a case where water recycling is in the national interest, then Sterling Processing in Oakland, Maryland is it. There is a need here for both water conservation and the reduction of effluents. The recycled water will not be used as drinking water, but only in a 50 percent mixture with raw water before being treated again for use in processing chickens. This water has been throughly tested and found to be safe by some of the country's top experts in the field. If E.P.A. will not take steps to enable the use of recycled water at Sterling Processing, then I don't think it will ever allow the use of recycled water. My experience with E.P.A. on this project convinces me that it is not in a position to spend any money on water quality research wisely. I therefore request this Committee not to appropriate any funds for E.P.A.'s water quality research unless the Committee report specifically directs the E.P.A. to take all necessary steps to enable the use of recycled water at Sterling Processing. I believe this issue is larger than the use of recycled water in Oakland, Maryland. It involves the future water policy of this country and the very credibility of the federal government itself to act rationally.

I would like to submit additional material concerning this matter for the hearing record. Thank you very much.

[From Poultry Processing and Marketing, March, 1978]

SCENARIO AT STERLING POULTRY: BUREAUCRATS STILL PASS THE BUCK IN WASTEWATER REUSE PROGRAM

(A seven year project on recycling wastewater at Sterling Poultry Processing Corporation, Oakland, Md., is about to go down the drain because of bureaucratic buckpassing and ineptitude. Recycled wastewater from the Sterling plant has reached a level of purity that met or exceeded federal and state standards for potability. Yet Sterling has been unable to use the recycled water in its processing operation for lack of an OK. Finding someone to give the OK has taken on the look of a three ring circus.)

A year-and-a-half ago, Sterling Poultry Processing Corporation in Oakland, Maryland, appeared on the brink of a nationally significant breakthrough in wastewater reuse.

Working with the Environmental Protection Agency and Maryland's Environmental Health Administration since 1971, Sterling had managed to recycle its waste discharge to a level of purity (see May 1976 Broiler Business) that met or exceeded state and federal standards for "potability," i.e., drinking water.

Recycling looked like a good deal for Gig Sylvester, who had had problems assuring an adequate future water supply from conventional sources; and it held promise for water conservation and for meeting strict 1983 water pollution limits by the entire food processing industry, one of the nation's five largest users and dischargers of water, according to EPA.

The company needed only a waiver from USDA's Animal and Plant Health Inspection Service (APHIS) to begin the final, Phase 3 of the half-million dollar project. Phase 3 would combine the recycled wastewater on a 50–50 basis with the company's normal well water source for a three month trial in full scale processing.

Water chemists from the University of Pittsburgh's Graduate School of Public Health had found no measurable difference in chickens they processed experimentally at Sterling, using both well water and 100 percent recycled water.

In actual practice the recycled water would be given another round of full scale treatment after being mixed with the well water.

What happened from that point is a classic of bureaucracic buckpassing and ineptitude. It also raises the question, increasingly pertinent in an age of concern over contaminants in levels of parts-per-million and below, of just how heavily a government agency should weigh possible health risks against the benefits of new processes and products in an effort to protect the public.

In July, 1976, Dr. Charles E. Mootz, of APHIS, wrote EPA that even though its scientists, along with the state of Maryland and the University of Pittsburgh, had given the go-ahead for Phase 3, "because of sensitivity of this project," he was waiting for concurrence from another branch of EPA, the Office of Water Supply.

The Office of Water Supply does not legally certify water as potable—that is Maryland's responsibility. But water supply officials had expressed reservations in earlier meetings on the Sterling project over the "definition" of potability that might arise from approval of the recycled water.

In September, 1976, Dr. Mootz got a reply from Victor J. Kimm, deputy assistant administrator of the Office of Water Supply. The letter made several points, including:

The Office of Water supply did not feel qualified to judge the suitability of the recycled water at Sterling for use in chicken processing.

The Office of Water Supply "would not contest" the decision of scientists at EPA's Health Effects Research Laboratory to go ahead with Phase 3.

However, since the policy of the Office of Water Supply was not to define as potable any water not from a "natural" source, it could not call the Sterling wastewater "potable."

In October, 1976, APHIS was urged to get on with its decision on a waiver to begin Phase 3 in a letter from Jack L. Witherow and Herbert R. Pahren, two EPA officials whose divisions were sponsoring the project. In discussing what Witherow would later in an interview call "the dilemma within EPA" the letter said:

"One school of thought holds that no matter what the quality of the renovated water or how much treatment is given, existing standards are inadequate to judge whether or not the water may be consumed (safely by persons who drink it) over a lifetime; hence such waters could not be considered potable by definition.

"On the other hand," the letter continued, "we are not dealing with a situation where the general public is consuming it." In light of the extensive testing completed at Sterling on the safety of the recycled water, the letter concluded, "we are dealing only with a question of philosophy (over potability)."

Two weeks later Dr. Mootz replied to Witherow and Pahrene: USDA's Meat and Poultry Inspection Program "has no pretensions about expertise on water potability," he wrote; but since USDA regulations called for a processing water source that we "amazingly clean and potable," no waiver would be granted until the Office of Water Supply said the recycled water was "potable."

The project remained stalemated for months. In April, 1977, Barbara Blum, the new deputy administrator of EPA received a letter from Dr. Julian B. Andelman, the professor of water chemistry at Pittsburgh who headed the consulting work on the Sterling Project.

He noted that the Office of Water Supply had no authority to certify the water potable; but as long as that office's uncertainties were preventing USDA from granting a waiver, he said, "EPA has an obligation to now make an unequivocal, defensible judgment on the question of potability . . . I believe that you are obligated to say that the water is or is not potable, and if not, why not."

A further twist to the situation was acknowledged about that time in a letter from EPA's Health Effects Research Laboratory to Victor Kimm in the Office of Water Supply:

"The irony . . . is that EPA is not opposed to recycle in food processing plants (fruit and vegetable) that come under Food and Drug Administration regulations . . . because of peculiarities of wording of the two sets of regulations. EPA accepts the principle of recycle in one type of plant (FDA) but not the other (USDA)."

The same letter also contained an attachment—a letter to USDA drafted in Kimm's name that concluded the recycled water at Sterling qualified as potable. If Kimm would sign it and send it to Mootz, the letter said, it would allow him "to make a graceful exit" from the whole situation. Kimm did not send the "graceful exit" letter.

By May, 1977, the action at EPA and USDA was stirring at higher levels, with the same, steady, lack of progress for the Sterling project.

On May 5, Ms. Blum wrote Carol Tucker Foreman, USDA assistant secretary for Food and Consumer Services. The letter noted that Dr. Andelman and Maryland felt the water was all right for use with chickens and added:

"EPA's Office of Water Supply has stated that they have no objections to your certifying this source of water for use in chicken processing."

"However," the letter continued, "EPA cannot certify this wastewater treatment effluent as a source of supply for drinking water (the old wrangle over 'potable' again)."

In June Ms. Foreman replied:

"In summary, we are willing to permit the use of the renovated water . . . for processing poultry when EPA agrees with the State of Maryland that this is, in fact, potable water."

In September, funding for the project expired quietly. In October a postscript surfaced in a worried letter to Kimm from David C. Stephan, director of EPA's Industrial Environmental Research Laboratory. There was still a "definitional problem" in respect to the term potable, he wrote:

"I believe the issue has major implications with regard to (reaching 1983 water quality goals) for the food processing industry. If USDA sticks to its guns and requires that such waters be "potable," and if Office of Water Supply takes a position that recycled water can never be potable, then this would be the case."

Gig Sylvester is effusive in describing his reactions to the government's handling of the seven-year project, his most printable phrase being "total frustration."

He says he still is hoping to salvage the project through the efforts of his Congressman, Goodloe E. Byron (D., Md.) and through pressure from poultry trade associations.

After a meeting with Sylvester in March, 1977, Dr. Carl Cason, processing consultant to the National Broiler Council, wrote him that he believed Dr. Mootz, who has since been transferred to Maine, acted incorrectly in not accepting certification of potability from Maryland. Cason suggested a formal appeal to USDA.

"If we wait on everyone to agree on everything we will accomplish—a lot of waiting," Cason concluded.

James D. Clise of Maryland's Environmental Health Administration remains outraged about the fate of the project, which he shepherded for seven years.

"That (recycled) water has been tested more than any public water supply in the United States—it is one of the best damn water supplies you'll ever find—and all we want to do is mix it 50 percent with well water to process chickens with," he said.

Victor Kimm remains convinced that the Office of Water Supply acted correctly in refusing to let recycled water be classed as drinking water, i.e., as "potable."

His concerns were not just "philosophical," he said, although he admitted there is a dearth of scientific facts to back him up at present.

"The problem is that the rulebook has changed in the last two years with regard to health concerns about drinking water," he said.

"Our real concern is that there is a significant amount of organic materials—things no one even worried about until recently—present in the recycled water. These may be limited by future drinking water quality standards, even though they are not now," Kimm said, adding, "we just don't have the scientific certitude we would like in those areas."

Pittsburgh's Dr. Andelman, as chairman of the National Academy of Sciences Panel on Low Molecular Weight Halogenated Hydrocarbons, has had extensive experience with the organic constituents of drinking water that now are causing scientists concern. There is very preliminary evidence that certain byproducts of organics can produce mutations in laboratory experiments.

But Dr. Andelman says there is "not an iota of evidence" that using the recycled water at Sterling on chickens would harm human health.

"EPA's own scientists told them it was okay. The problem was that neither EPA or USDA wanted to make a decision." Dr. Andelman said.

Jack Witherow, EPA's project officer for the Sterling experiment was asked, can he say there is no health hazard in the recycled water?

"There is some health hazard to distilled water, to anything you might drink," he said. "The way to put it is, 'would you drink it?' I would drink it."

In recent months, EPA has taken a new tack in its letters discussing the Sterling case—that an adequate, natural source of processing water is now available to the company anyhow. They are talking about the Broadford Dam. Oakland's municipal water supply reservoir, finished after the recycling project was begun.

Gig Sylvester says that because of cost and reliability of future supply, the Broadford Dam is not a good alternate source; "And even if it was, that's not the point," he says angrily. "There is the principle of this thing."

In 1971 EPA funded a demonstration project to determine the feasibility of reclaiming poultry processing wastewater for reuse where potable grade water is presently required. A 300 gallons per minute reclamation plant was constructed and operated. A water which met the bacterioligical, chemical and physical limits in the Public Health Service Drinking Water Standard was produced at a cost of $0.27/1000 gal. The project was stopped in November 1973 due to concern over the safety of reusing process water in the plant.

An EPA report issued in March 1974 recommended the project be continued. In June of that year a second EPA project was funded which greatly enlarged the evaluation of the safety of using renovated water. This project was to mix renovated water with well water on a 50/50 basis. That mixture was to be the water source for the processing plant.

An equipment reconditioning and optimization phase and pilot testing phase were completed by June 1976.

A report on those portions of the project by Dr. James Andelman, University of Pittsburgh water chemist and J. D. Clise of EPA concluded with the statement, "If this renovated water were to be recycled into the plant as described and used as intended, would there be any significant discernible risk to the consumers of the chickens processed there? It is our considered judgment after weighing all the results of this study and that which preceded it, that the Phase 3 trial period of full recycle and reuse should proceed, and that the public health will not be jeopardized in so doing. In view of the urgent need to conserve our water resources, limit waste discharges, and improve water quality, the nation will have to proceed to selective reuse of wastewater. Such a project as this is a useful step in that direction."

EPA requested a waiver from USDA to proceed to Phase 3. USDA requested that EPA verify the State of Maryland's certification that the renovated wastewater was potable. EPA replied that the renovated water can not be considered potable because of its source. At this point the project was again stopped.

PPM Commentary: EPA, FDA, USDA Should Get Together on Water Quality

The poultry industry is being gored on the horns of a dilemma. For evidence of that read the article in this issue on bureaucratic buck-passing at Sterling Poultry Processing Corporation.

EPA pressures for water conservation by reuse. USDA insists that process water be certified potable. EPA insists that reused water can not be certified potable.

What should be done to resolve the regulation policy dilemma is to challenge the basis of the need for and the source constraint on potable water. What data shows the need for potable water in processing operations? What data shows reclaimed process water is not potable?

In the food industry not only USDA and EPA but also the Food and Drug Administration (FDA) have regulations that govern water reuse. In poultry processing plants USDA requires the use of potable water in all unit operations where the water contacts the food. FDA, on the other hand, requires that any water that contacts food shall be safe and of adequate sanitary quality. EPA regulations indirectly govern water reuse in two ways. The Effluent Guidelines limiting waste discharges are based on reduction of water use which encourages or requires water reuse. The Drinking Water Standards control the source and quality of water where potability is required.

Severe health hazards are associated with the reuse of spent process water. The concentration of pesticides, sanitary agents, biostimulants and heavy metals, the generation of halogenated methanes and microtoxins and the levels of microorganisms within process water reclamation/reuse systems are potential hazards. These unquantified hazards have restricted EPA, APHIS and EDA from approval of extensive reclamation/reuse systems.

Ideally the requirements for water quality for each food processing operation should be that needed to obtain a healthful and wholesome product. However, limited information on health effects vs. water quality and established state certifying institutions have made it more practical to require the highest quality (certified potable) water for poultry processing. In both immersion and fluming operations the water in contact with the food is non-potable; yet water added to these processes is required to be potable in poultry plants but not in other food processing plants.

Ideally the quality requirements for potable water should be defined regardless of the source. However, the Drinking Water Standards are defined for natural water sources and there are no standards to establish potability when reclaimed process water is the source. Consequently, by definition reuse of process water is prohibited in poultry processing operations, but allowed in these same operations for other foods.

Past events have shown that modification of USDA, FDA and EPA regulations regarding water quality, sanitation and pollution into a compatible system is necessary. The constraints on water quality should be based on those demonstrated necessary for a safe product and not on ease of enforcement or historic source concepts. This will only be accomplished by a strong base of support from industry for implementation of available technology and development of needed information on water quality vs. product safety.

UNIVERSITY OF PITTSBURGH, GRADUATE SCHOOL OF PUBLIC HEALTH,
DEPARTMENT OF INDUSTRIAL ENVIRONMENTAL HEALTH SCIENCES,
Pittsburgh, Pa., April 22, 1977.

MS. BARBARA BLUM,
Deputy Administrator,
U.S. Environmental Protection Agency,
Washington, D.C.

DEAR MS. BLUM: This letter concerns the impending judgement by the E.P.A. regarding the quality of renovated water in the E.P.A. supported project at the Sterling Processing Corporation at Oakland, Maryland. As you know, an evaluation was to be made by your Office of Water Supply in June 1976. They have indeed made statements in this regard, but the issue still has not been resolved satisfactorily.

It is undoubtedly true that with regard to the legal judgement on potabiilty required by the U.S. Department of Agriculture, the State of Maryland has authority. Nevertheless, a representative of the E.P.A. Office of Water Supply intervened in the decision-making process in June 1976 in a manner that cast doubt on the safety of the trial period of re-use. This caused the Department of Agriculture to require a firm judgement on the water quality from the E.P.A., even though in this instance the latter has no legal authority for the certification of potability. This was delayed, and then done in an equivocal fashion, with the result that the project has not proceed to the three-month trial period for re-use of the renovated water, irrespective of the fact that the Committee constituted for the purpose recommended that there was no significant risk in so doing.

I believe, therefore, that the E.P.A. has an obligation to now make an unequivocal, defensible judgment on the question of potability, not only of the extensively studied, renovated water, but also of that same water to be mixed 50/50 with the normal well water, then to receive additional full scale water treatment. It will not, at this stage, be sufficient to use such phrases as "we can't consider this water potable", or "we don't have the authority to make a judgment on potability", or "the renovated water is probably safe to use in processing chicken". The Department of Agriculture was told that they would get a judgment on potability. I believe that you are obligated to say that the water is or is not potable, and if not, why not. Does it, for example, meet constituent limits of the Interim Primary Drinking Water Regulations?

As you well know, political pressures have developed because the appropriate judgment either has not been made or fully justified. I believe that the E.P.A. has both the expertise and judgement capability to handle these questions. If it does not do so expeditiously and satisfactorily, and fully explain and justify its

position, I would, guess that these political pressures will not let up. Significant amounts of federal and other monies have been utilized on this project, as has considerable effort on the part of many of us in trying to meet its goals. It would be unconscionable if this effort were aborted without adequate justification. particularly since, as a result of water shortages, we will have to proceed to selective re-use of wastewater.

I would like to emphasize that I am not offering my opinions with the intention of being critical of the E.P.A. Indeed I regard many of its employees with whom I have professional contact as highly capable. Also, I believe that the somewhat differing opinions have been offered in good faith and with the highest of motives. However, the organizational decision-making process has become confused and is, I believe, the source of the difficulty. I would hope that, since a final judgement has yet to be made, this previous shortcoming will be rectified.

Very truly yours,

JULIAN B. ANDELMAN, Ph.D.,
Professor of Water Chemistry.

U.S. ENVIRONMENTAL PROTECTION AGENCY,
Washington, D.C. May 5, 1977.

HON. CAROL T. FOREMAN,
Assistant Secretary for Food and Consumer Services,
Department of Agriculture, Washington, D.C.

DEAR MRS. FOREMAN: I am writing to clarify our position on a request by the Sterling Processing Corporation for approval to operate a plant in Oakland, Maryland. The company proposes to use tertiary-treated wastewater to supplement groundwater resources as a source of raw water supply in the preparation of chickens for marketing.

As you know, EPA made a demonstration grant to the State of Maryland in 1971 to construct a treatment facility at the Sterling plant. The purpose was to achieve water of sufficient quality to allow recycle and reuse. The project has successfully progressed through all but the final phase, including water quality testing, to the point where the treatment plant is ready to be used to generate one-half of the water used in processing chickens for market during a full-scale evaluation of the recycle concept.

The Sterling Processing Corporation has applied to you for a certification that its water supplies meet U.S.D.A. purity requirements. You have not seen fit at this time to certify this water source.

The Department of Agriculture is charged with establishing standards for, and certifying water used in, the processing of meats sold in interstate commerce. The Environmental Protection Agency is charged with establishing standards for drinking water. Our policy is to set standards and guidelines which will assure the safety of individuals using drinking water supplies on a day-in and day-out basis. The assumed consumption is two liters per person/per day.

As you know, our technical personnel have completed a series of tests on the treated wastewater supply at the Sterling plant. On the basis of these tests, Dr. Julian Andelman of the University of Pittsburgh feels that the water is of sufficient quality to be used in the processing of chickens. Further, the State of Maryland has assumed a position that the water is of sufficient purity for use in chicken processing and for human consumption.

EPA's Office of Water Supply has stated that they have no objections to your certifying this source of water for use in chicken processing. However, EPA cannot certify this wastewater treatment effluent as a source of supply for drinking water because of our concern over the possible concentrations of organic chemicals, and the availability of alternative drinking water supplies of higher quality.

EPA is particularly interested in seeing that this matter is resolved. The Environmental Protection Agency must decide to continue or to terminate the project at the Sterling plant; and we, therefore, need your determination of the suitability of this water for use in processing chicken.

Sincerely yours.

BARBARA BLUM,
Deputy Administrator.

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MURFREESBORO, TENN., VA HOSPITAL

WITNESS

HON. ALBERT GORE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. BOLAND. Good afternoon. We are delighted to have with us our colleague, Al Gore, from Tennessee, who appears here with reference to the VA medical program.

I might tell you that you are not the only one that appears with reference to this program.

Mr. GORE. I suspected the same.

Mr. BOLAND. We have a long list of witnesses testifying about the VA in the next week. Why don't you proceed in any way you wish. We have your statement.

Mr. GORE. Thank you, Mr. Chairman. I will hit the high points of it.

This is something I feel very, very strongly about. It's the most important fight I am involved in currently up here. I am here, of course, to express my strong objection to the proposed cutbacks at the veterans hospital in Murfreesboro, Tennessee.

These cuts should not be implemented because they threaten not only the quality of the facilities services—and this is an important point—but also threaten the hospitals accreditation.

As a result of the VA's proposed budget, the Murfreesboro Hospital is slated to lose 90 beds, 46 full time jobs, nearly $1 million in operating revenues, more than $6 million in planned construction revenues.

These cutbacks represent 3 percent of the total proposed reduction in the VA budget for health care. The Murfreesboro facility comprises only one-half of 1 percent of the total VA medical system budget.

We think this is a severe burden to impose on this facility and on the veterans of the middle Tennessee area and the Mid-South region.

The Murfreesboro facility currently maintains a near capacity average, even though the hospital has a waiting list for those veterans who cannot be accommodated.

The hospital currently does not have room for many veterans requesting hospitalization. If these cuts are put through, the simple truth is that the hospital will have to turn away many veterans who are in need of medical attention who are now getting it.

Mr. Chairman, this is another point that I think is important.

This facility is primarily a neuro-psychiatric hospital. Many of the patients were admitted for psychiatric illnesses but over time, many of these patients have become physically incapacitated.

This large population of physically degenerated patients has resulted in a very low turnover rate which, in turn, has created additional space constraints.

Despite these existing conditions, Murfreesboro is now being asked to further reduce its bed space.

On the matter of the staff, the budget cuts will cause a 46 person reduction in the Murfreesboro staff. Yet, this hospital already has the second lowest staff-patient ratio for neuro-psychiatric hospitals in the entire VA hospital system.

The personnel reductions would include 10 registered nurses, 3 rehabilitation therapists, and a psychiatrist.

In November of 1977, the Commission of Hospital Accreditation recommended that Murfreesboro increase their psychiatric staff by 7 members to meet their patient needs. Six months later, not only have they not been given the resources to obtain the additional psychiatrists thought necessary to continue their accreditation, they are being ordered to reduce their staff still further.

The nurse-patient ratio currently fails to meet recommended standards; yet, Murfreesboro is being asked to cut 10 more registered nurses.

How can a hospital be expected to provide decent services when its staff is clearly being cut back to an inadequate level?

The accreditation will presently be in danger of being withdrawn because of the staff reduction and the hospital's potential inability to comply with minimal accreditation standards, conditions necessitated by a slashed budget.

The new construction was planned to meet accreditation requirements for patient privacy needs. It is doubtful if the hospital will be capable of properly maintaining the facility in the future to meet these standards.

Mr. Chairman, I urge you and the other members of the committee to reexamine the proposed cutback in the Murfreesboro hospital and the damaging impact that such a reduction would have on the hospital and the many people it serves. I have confined my remarks to the injustice surrounding the Murfreesboro cut, but I want to say for the record I am equally distressed by the cutbacks proposed throughout the VA medical system.

I will put the entire text of this statement into the record. I know that you are quite familiar with these facts.

I would add that the cuts proposed at Murfreesboro are only the most blatant example of this budget's insensitivity and inadequate treatment of the needs of veterans.

I thank you for the opportunity to speak before the subcommittee today.

[The complete statement follows:]

TESTIMONY OF HON. ALBERT GORE, JR.

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to testify today:

I am here today to express my strong objection to the Veterans Administration's proposed budget cutbacks for the Veterans Hospital in Murfreesboro, Tennessee. These cuts should not be implemented because they threaten not only the quality of the facility's services, but also the hospital's accreditation. As a result of the Veterans Administration's proposed budget for their health care system, the Murfreesboro facility is slated to lose: 90 beds, 46 full time jobs, nearly $1 million in operating revenues, and more than $6 million in planned construction.

The budget cutbacks in the Murfreesboro Hospital represents 3% of the total Veterans Administration health care reduction, yet the Murfreesboro facility comprises only .5% of the total V.A. medical system budget.

The loss of 90 beds will be a devastating blow to the hospital. The Murfreesboro facility currently maintains a near capacity average. Even now the hospital has a waiting list for those veterans who cannot be accommodated. The hospital currently does not have room for many veterans requesting hospitalization. How can the hospital offer adequate services after these proposed cutbacks, if it is already facing excessive demand? The simple truth is that Murfreesboro hospital will be forced to turn away many veterans in need of medical attention.

The Murfreesboro facility is primarily a neuro-psychiatric hospital. Many of the patients were admitted for psychiatric illnesses, but over time many of

these patients have become physically incapacitated. This large population of physically degenertaed patients has resulted in a very low turnover rate, which in turn has created additional space constraints. Despite these existing conditions, Murfreesboro is now being asked to further reduce its bed space.

The budget cuts will cause a 46 person reduction in the Murfreesboro staff. Yet the hospital already has the 2nd lowest staff-patient ratio for neuro-psychiatric hospitals in the entire V.A. hospital system.

The personnel reductions would include 10 registered nurses, 3 rehabilitation therapists and a psychiatrist. In November of 1977, the Commission of Hospital Accreditation recommended that Murfreesboro increase their psychiatric staff by 7 members to meet their patient demands.

Six months later, not only have they not been given the resources to obtain additional psychiatrists, they are ordered to reduce their staff still further!

The nurse-patient ratio currently fails to meet recommended standards, yet Murfreesboro must cut 10 registered nurses. How can a hospital be expected to provide decent services when its staff is clearly being cut back to an inadequate level?

The hospital's accreditation will be seriously threatened as a result of the proposed cuts. The accreditation will presently be in danger of being withdrawn because of the staff reductions and the hospital's potential inability to comply with minimal accreditation standards—conditions necessitated by a slashed budget. The new construction was planned to meet accreditation requirements for patient privacy needs. It is doubtful if the hospital will be capable of properly maintaining the facility in the future, to meet these standards.

Has the Veterans Administration really evaluated the possible impact of this decision? It is appalling to think that the very existence of the Murfreesboro Hospital is to be threatened.

Mr. Chairman, I urge you and the other members of the Committee to re-examine the proposed cutback in the Murfreesboro Hospital and the damaging impact such a reduction would have on the hospital and the many people it serves.

I have confined my remarks to the injustice surrounding the Murfreesboro cut but I am equally distressed by the cutbacks proposed throughout the V.A. medical system. These cuts will include the loss of more than 3000 beds, 1500 full-time employees, and more than $18 million in medical and prosthetic research and $200 million in planned construction projects. These cuts are particularly troubling because of the tremendous increase in demand which the V.A. Medical system will be experiencing in the near future. By 1985, the number of veterans over age 65 will be double the number in 1975 and by 1995 it will be almost three times the 1975 figure. The requirements for medical care will be increasing substantially through the year 2000 as the great numbers of World War II vets require increased medical care in their later years. The National Academy of Sciences Study of Health Care for American Veterans in 1977 revealed that the V.A. medical responsibility will be expanding greatly in the next 10–20 years. In light of these expanding demands upon the system, the budget cuts totaling over $408 million for the entire system appear particularly short-sighted. The cuts proposed at Murfreesboro are only the most blatant example of this budget's insensitive and inadequate treatment of the needs of veterans.

Mr. Chairman, I thank you again for the opportunity to speak before this Subcommittee today.

Mr. BOLAND. Let me ask you this question, Al. Particularly in reference to the last sentence in your statement with respect to the insensitivity of the VA to veterans. I note that with respect to Murfreesboro—and you are correct, the bed loss is 90—the occupancy rate without the bed loss now is 83.2 percent. With the bed loss of 90, the occupancy rate would be 93 percent.

It is distributed between medical research and psychiatry. This is the reason attributed by the VA to the reason for the bed loss. It's all due to patient privacy and safety and fire protection requirements.

What about that?

Mr. GORE. Well, it's important to note that those figures are an average daily occupancy in the hospital. And on many occasions, the occupancy exceeds the capacity just as on some occasions it falls lower than the average figures that you have cited there.

The fact is I have got many, many constituents, Mr. Chairman, who have gone to this hospital to try to get in. And though they are qualified and eligible, are turned away because of the lack of space, the lack of beds.

Mr. BOLAND. Are they really qualified and eligible? You could say that for any VA hospital in the United States, most have an occupancy rate that is high. It runs in the 90 plus percent range.

With respect to the service-connected veteran. They are not turned away, are they? Their requests must be honored.

Mr. GORE. This is, of course, part of the overall problem that your subcommittee faces. I represent a medically underserved area.

Almost all of the counties that I represent are direly in need of medical care. And these people, though they are nonservice connected, do not have the opportunity to go elsewhere for the medical care that they need and that I believe they deserve.

Mr. BOLAND. Well, again, with reference to the reason for the bed loss, safety and fire protection requirements. I take it that the action by the VA with respect to Murfreesboro is due to the fact that the safety and fire requirements would perhaps be better met with a reduction in the bed loss.

Mr. GORE. We have currently a continuation of the older system of having base where many patients are together in a large area.

Mr. BOLAND. Ward-style treatment?

Mr. GORE. This is correct.

The recommendations have been to increase patient privacy by eliminating some of the space now used by beds to put in partitions and increase the privacy afforded to the patients.

Necessarily, this reduces the number of beds that formerly occupied the space now being taken up by partitions.

The $6 million in proposed construction money, which is also cut in the budget, is taken out of other projects of this kind. There are several buildings where we have base like this. And we are proposing in this budget to institute the privacy standards for only one of those buildings.

So the administration is in a logical question, it seems to me, if they are trying to save the accreditation by improving the privacy standards. They are only doing so in a portion of the hospital. They are cutting out the effort to improve the privacy standards in the rest of it. They are not replacing the beds that are being lost with any other facilities.

Now one solution to this, Mr. Chairman, that I hope to be proposing later on is to increase the number of nursing care beds so that we can displace some of the beds that are now occupied by this patient population which I have described in my testimony—psychiatric patients who have physically degenerated.

Mr. BOLAND. And who are going to be there for forever?

Mr. GORE. That's right. If we can construct nursing home beds for these people, then we can open up some of the beds for medical care that are needed for that.

Mr. BOLAND. What's been the reaction of the VA with reference to that solution, nursing home beds? Nursing home care?

Mr. GORE. I can't give you an authoritative answer to that. It hasn't gotten far enough along yet to get a definitive answer from them.

Mr. BOLAND. It occurs to me in the hearings we had with the VA, that there is a desire on the part of the VA to move precisely in that direction because the cost is less.

Mr. GORE. Yes.

Mr. BOLAND. The problems are a lot less, too.

But it is a very serious problem and perhaps we can get some solution to it this year.

Mr. GORE. I think that is one way out of the bed loss aspect of this issue. The loss of the nursing staff and the psychiatric staff is a related but separate issue.

And I would say because of the extremely important staff-patient ratio at this hospital, that even if some of the beds must be eliminated, the staff level should not be reduced below what they are now.

Mr. BOLAND. Thank you very much.

Lindy?

Mrs. BOGGS. How many beds are there altogether?

Mr. GORE. About 800.

Mrs. BOGGS. So a reduction of 90 beds doesn't really indicate that there should be such a serious reduction in personnel?

Mr. GORE. That's correct, particularly with the very poor preexisting staff-patient ratio.

Mrs. BOGGS. Not only, then, were safety, fire, privacy, etc., part of the difficulties encountered in the accreditation, but also the poor ratio of staff to patients.

Mr. GORE. That's correct.

Mrs. BOGGS. Thank you.

Mr. BOLAND. That's rather large. How old is the hospital at Murfreesboro? Is it an old one?

Mr. GORE. Yes, it's a pretty old hospital. It sure is. It's gotten national recognition for its leadership in particularly the treatment of alcoholism and other illnesses of this kind.

Mr. BOLAND. Thank you very much.

Mr. GORE. Thank you very much.

Mr. BOLAND. So we will stand in recess until 2 p.m.

AFTERNOON SESSION

HOUSING PROGRAMS

WITNESS

HON. JAMES M. SCOTT, SUPERVISOR OF FAIRFAX COUNTY, ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. COUGHLIN. The Committee will come to order.

The Chairman, Mr. Boland is at a markup of another Committee meeting.

Mr. Traxler should be here shortly.

We will start this afternoon's proceedings.

The first witness is the Honorable James M. Scott, supervisor of Fairfax County, Virginia on behalf of the National Association of Counties.

Could I ask Mr. Scott to come forward and take a seat, please.

I notice you have a prepared statement. I don't know if you care to summarize or read it. Please, proceed as you see fit.

Mr. SCOTT. I have with me also Mr. John Murphy of the National Association of Counties staff.

Mr. COUGHLIN. You may come to the table, if you like.

Mr. SCOTT. Mr. Chairman, I am Jim Scott, a member of the board of supervisors of Fairfax County, Virginia and chairman of the community development steering committee of the National Association of Counties.

I appreciate the opportunity to appear before the Subcommittee as I have done for the last two years to present the views and recommendations of NACo with respect to the fiscal 1979 appropriations for the Department of Housing and Urban Development.

As you know, Mr. Chairman, counties—particularly urban counties—are important participants in the community development block grant and assisted housing programs. These programs are important and critical sources of federal assistance to help us address our pressing substandard housing and community development problems.

We are pleased with the continuing support which this Subcommittee, the Congress and the Administration has given to these programs, and we are here today to ask you to continue that support.

NACo is pleased to see that the Administration has requested appropriations of a total of $4.15 billion for community development in fiscal year 1979. This is the full amount authorized by the Community Development Act Amendments of 1977 and includes $3.65 billion for the basic block grant program, $100 million for the completion of existing urban renewal projects and $400 million for the Urban Development Action Grant program. We fully support this request and urge this Subcommittee to approve it.

As you know, Mr. Chairman, the Administration did not request, nor did the Congress appropriate, funding for the section 312 rehabilitation loan program for fiscal 1978. Instead, HUD proposed a program level of approximately $80.85 million drawn from a carryover of prior funding and loan repayments.

In so doing, however, HUD underestimated the level of demand from cities and counties for these funds to the point where available funding has been exhausted. Many urban counties have reported to NACo that they have geared up to use the program locally, only to be told that funds are no longer available for the balance of this fiscal year. One of these counties is my own—Fairfax—which has applications for 312 loan funds totalling over $280,000 and no funds forthcoming from HUD unless supplemental appropriations are made available by the Congress.

The most recent and final allocation of 312 funds for fiscal 1978 for the Washington Metropolitan areas was $405,000. Funding was made available on a first-come, first-serve basis, with Fairfax County receiving $19,350, well below our need. The level of funding available and the manner in which it was distributed flies in the face of intelligent planning and is an injustice to all of the parties involved.

I might add here, Mr. Chairman, a county like Fairfax—and this is true of other urban counties—which is fairly new to the field of community development and to assistance housing, has found the various programs which allows us to rehabilitate housing very helpful. We have a very large waiting list. We hope we will not be penalized.

Although we are late to get involved in the program, we hope we will not be penalized because we are late. In other words, saying at the one

time you want counties to become involved and on the other hand, saying only those that have participated in the past can participate to the previous participation.

We would therefore hope the Subcommittee would approve a supplemental fiscal 1978 appropriation of $40 million for the section 312 program. This supplemental appropriation would bring the program level for this year to $125 million, the same level proposed by the Administration for fiscal 1979.

Of course, Mr. Chairman, NACo supports both the $125 million program level proposed in the fiscal 1979 budget as well as the additional $150 million recommended by the Administration as part of the President's urban policy. The need is clearly there. The 312 program provides a very beneficial complement to the community development block grant program for the purpose of rehabilitation of substandard housing.

Mr. COUGHLIN. If we added the $40 million to this years program and took it from the additional $150 million requested by the President, that would keep a relatively more even level of operation in the program. Would you support that?

Mr. SCOTT. I think if everybody was able to get a shot at it, if we were not, as I said penalized because we had not participated in the past and it allows everybody to have an opportunity to participate in the program, even those newcomers, that would be better than where we are right now.

Mr. COUGHLIN. It certainly is better than going like this all the time.

Mr. MURPHY. There is clearly an immediate need for this fiscal year, a very urgent need.

Mr. COUGHLIN. There would be some question as to whether you could digest the total increase in 1979.

Mr. MURPHY. That's a very valid question.

Mr. SCOTT. I think it is clear, as we said earlier, that—and will say again later, that we are appreciative of the efforts of the Congress to keep the levels reasonably stable so that we can plan ahead. Your suggestion, as long as urban counties, for example, can get into the program and participate fully, we would be supportive.

Mr. COUGHLIN. Thank you.

Mr. SCOTT. We think, in short, that the 312 program is a very good program and a good investment.

With respect to urban homesteading, we note that the administration requests a $5 million increase, to $20 million, for the urban homesteading program for fiscal 1979. This is another example of a program that works locally and the request should be approved. The increased funding will permit more counties and cities to participate in the program, permitting them to extend homeownership opportunities to persons within the community while at the same time revitalizing substandard housing.

We have some concern about the $10 million requested for a new urban extension program. As we understand it, this program is intended to provide, through a network of extension agents, an exchange of information and capacity building to communities engaged in housing and community development.

Granted, Mr. Chairman, there is a need for information sharing and capacity building for communities participating in the housing and community development programs.

But, as you know, the Community Development Act Amendments of 1977 increased the Secretary's special Community Development Block Grant Discretionary Fund from 2 percent to 3 percent and authorized, among other things, its usage for technical assistance activities. Inasmuch as this technical assistance program has not been initiated by HUD, although it will be shortly, we recommend that the Congress not approve funding for the urban extension program until it can be determined that additional technical assistance and capacity building funds are necessary, beyond that made available under the Secretary's special discretionary fund.

We are pleased to see that the Administration has requested contract authority of $1.3 billion for fiscal 1979, which will produce 400,000 units of subsidized housing. This translates into 344,000 units under the Section 8 rental assistance program and 56,000 units under the conventional public housing program. This represents the third year in a row that the level of assisted housing has been at a predictable and sustained level of approximately 400,000 units annually, and we credit the Congress and the Carter Administration for this.

The availability of funds for assisted housing, at an adequate level, is essential to making community development work at the local level and providing decent housing to the disadvantaged. Thus, we urge that the Administration's request be approved.

Mr. Chairman, we in NACo are concerned that there is a substantial unmet housing need in this nation, that of adequate unsubsidized new housing for moderate income persons. The problem is particularly acute here in the Washington Metropolitan area where the housing supply is limited and its cost skyrocketing.

We are aware that the Administration's fiscal 1979 budget requests $2 billion for the government National Mortgage Association's Special Assistance program. This includes $1.5 billion for new and substantially rehabilitated housing units for low and moderate income persons under the Section 8 program and $500 million in targeted assistance for projects in "distressed cities." We think these requests are appropriate and should be approved.

But we would urge this Subcommittee and the Congress to also address the housing needs of moderate income persons who lack affordable housing by providing an additional $300–500 million under the special assistance program to stimulate private sector construction of unsubsidized multifamily housing outside distressed areas.

Mr. Chairman, thank you for this opportunity to appear before you. I would be happy to respond to any questions the Subcommittee may have.

Mr. TRAXLER. We appreciate your presence today on behalf of NACo. Many of your members are personal friends. We appreciate your comments and your statements.

Do watch the national news tonight and see what the President has to say. He was very forceful.

I am just reminded by our request that outside requests on the part of members and the public would push this bill some $800 million over the budget request.

The President has firmly stated, five minutes ago, that he will use every means at his disposal, including vetoes, to assure the integrity of his budget proposals.

So we have problems.

Mr. SCOTT. I understand that.

Mr. TRAXLER. We will do the best we can with what we have.

Mr. SCOTT. In our final paragraph we are trying to highlight a problem which is very keenly felt.

In my own community we are aware of land which is zoned for garden apartments, which simply cannot be built. That is a very good opportunity we are missing for families of moderate income who would not qualify for subsidies. We hope we don't lose those.

Mr. TRAXLER. Thank you for your your appearance today.

HOUSING PROGRAMS

WITNESS

CUSHING N. DOLBEARE, CHAIRPERSON, AD HOC LOW-INCOME HOUSING COALITION

Mr. TRAXLER. Ms. Cushing N. Dolbeare, Chairperson, Ad Hoc Low-Income Housing Coalition. We want to welcome you.

Ms. DOLBEARE. I have a fairly lengthy prepared statement.

Mr. TRAXLER. We will insert it in the record.

[The complete statement follows:]

Ad Hoc
Low Income Housing Coalition

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Chairperson
Cushing N. Dolbeare

April 1978

STATEMENT ON HUD APPROPRIATIONS FOR FISCAL 1979, prepared for Subcommittee on HUD-Independent Offices, Committee on Appropriations.

The Ad Hoc Low Income Housing Coalition is a coalition of public interest organizations focussing on the housing problems of low income people. We approach housing as a human need. Our concern is with the housing of low income people -- their homes, their neighborhoods, where they live and how they live. We use the term "housing" broadly, to include not just the structure, but the neighborhood in which the house is located. Our commitment is to seeing that low income housing needs are met--not to new production, or rehabilitation, or conservation, or to any particular program or agency.

Last October, on behalf of 36 organizations -- both national and local -- the Coalition wrote to President Carter urging him to make a renewed commitment to the national housing goal of "a decent home and a suitable living environment for every American family" by providing, in his 1979 budget proposal, for a doubling of subsidized housing programs through both HUD and the Farmers Home Administration (FmHA). Specifically, we urged a minimum level of 600,000 units of new or substantially rehabilitated subsidized housing and subsidizing an additional 600,000 families who require assistance to pay the cost of occupying existing, decent units. We further recommended that at least 800,000 of these subsidized units be provided through programs of the Department of Housing and Urban Development and the remainder through the Farmer's Home Administration.

The 1979 budget does not increase the federal commitment to meeting low income housing needs. In fact, it decreases it. The budget request submitted by the outgoing Ford Administration for 1978 called for assisting 500,000 units through HUD (400,000 Section 8 and public housing and 100,000 units of 235) and 95,428 units through programs of the Farmers Home Administration, for a total of almost 600,000 units. The Carter Administration, in its revisions to the 1978 budget, shifted some of the Section 8 funds to conventional public housing, but did not increase the total number of units. The 1979 request calls for a total of 587,000 subsidized units, 450,000 through HUD (including 50,000 for the 235 program) and 137,000 through the Farmer's Home Administration.

The basic constraint on the number of subsidized housing units requested is money. HUD clearly has the capacity to handle more units. Indeed, in the twelve months preceding the beginning of the 1977 fiscal year, HUD handled 475,000 unit reservations for the Section 8 program alone; some of these have since been cancelled or have fallen by the wayside, but they are also the reservations which have been converted into a substantial number of housing starts during 1977 and 1978. Table 1, attached to this statement, shows the numbers of subsidized housing unit reservations under all HUD and FmHA programs since 1976, and the proposals for 1979.

The Ad Hoc Low Income Housing Coalition has testified before the Housing Subcommittees of both the House of Representatives and the Senate, urging that Congress do what the Administration has not: increase the level of subsidized housing programs to the 600,000-unit goal set by the 1968 Housing Act and reaffirmed in 1974 for new construction and substantial rehabilitation, and, to deal with the problem of excessive housing costs for low income people, provide a level of 600,000 subsidized existing housing units for a total of 1.2 million subsidized housing units in the next fiscal year. Attached to this statement, as Tables 2 and 3, are an illustrative program for achieving this objective and the estimated cost of the program. The program calls for an additional 375,000 units of Section 8 existing and 186,000 additional units of new or substantially rehabilitated public housing and Section 8, including 50,000 additional units of traditional public housing. We also call for an additional 50,000 units for FmHA programs.

We urge this Subcommittee, as it considers HUD's appropriations, to keep in mind the critical housing needs of low income people, as well as the need for responsible stewardship of taxpayer's money. Briefly, these needs are as follows:

- As of 1976, according to HUD's Annual Housing Survey, there were 11 million renter households and 7 million owner households paying more than one quarter of their incomes for shelter. Seven million renters and three million owners paid more than 35% of their incomes for shelter. Indeed, there were almost four million renters paying more than half of their total incomes for shelter, as were 400,000 owners without mortgages. These are almost all low income households: 72% of the renters paying more than 35% of their incomes for shelter had incomes below $5,000; less than 3% had incomes above $10,000. (There were also a million owners with mortgages paying more than half their incomes for shelter, but it is likely that a substantial number of these had incomes above the poverty level.)

- Much of the housing for which low income people are paying such high costs has serious defects. According to the 1974 Annual Housing Survey, some 16 percent of the housing stock -- 11.3 million units -- had two or more defects, such as lack of kitchen or plumbing facilities, exposed electrical wiring, leaky roofs or basements, cracks or holes in ceilings, walls, or floors, or signs of rodent infestation. To people familiar with housing conditions in low income neighborhoods or involved with enforcing housing codes, these figures seem surprisingly low.

- Finally there is a need for additional subsidized new construction, for infill-housing or improvement in existing low income neighborhoods and to provide broadened housing opportunities in new neighborhoods. A HUD analysis of the 1976 Housing Assistance Plans found that these plans, which covered about half of our housing stock, identified a need for 860,000 units of assisted housing to provide for people expected to reside in CDBG recipient communities.

In the light of these needs, we urge that appropriations be provided for the full amounts of HUD-assisted housing authorized, and we further urge this committee to use its good offices to persuade the Congress to authorize additional amounts beyond the administration's request.

One major change which is needed in order for this Committee to exercise its responsibilities properly is to establish some control over housing-related expenditures that are made through the tax system. For fiscal 1979, these expenditures are more than double the proposed level for direct expenditures, yet they are not subject either to review on their merits or control over their amounts. The result, since these tax expenditures benefit primarily middle and upper income people, is to skew the pattern of federal housing expenditures away from low and moderate income people, with the most critical needs, toward wealthy people.

Tables 5 and 6 show the distribution of federal housing expenditures and the number of beneficiaries, by income class, for both tax and direct expenditures. Based on these estimates:

- 16% of all housing expenditures in fiscal 1977 went to the top 1.4% of the income distribution -- taxpayers with incomes above $50,000. Nine out of ten taxpayers in this bracket received housing-related tax deductions or benefits, and the average cost per recipient was $165 per month.

- Only 18% of all housing subsidies went to the 29% of households with incomes below $5,000. Only one household in 14 in this lowest income group, however, received any housing subsidy -- directly or through the tax system -- and the average subsidy per recipient was only $133 per month.

- More than half of all taxpayers had incomes below $10,000, yet persons in this income range received less than one quarter of all housing subsidies. Most of the subsidies benefitting this group were direct subsidies of low and moderate income housing programs: public housing, Section 8, and the 235, 236 and rent supplement programs. Only 2.2% of housing-related tax expenditures benefitted people in this income group.

In the face of these inequities, the 1979 budget estimates housing outlays at $4 billion. Home owner tax deductions are estimated at $11 billion and other housing-related tax deductions at $2 billion.

In addition to the need for expanding our present housing programs, there are a number of other items in the HUD budget which should be increased, and one additional item which HUD failed to request.

Public housing modernization and operating subsidies. We have urged the authorizing committees to provide $1 billion for public housing operating subsidies; we urge this committee to fund the full amount authorized.

The Administration request of $729 million for public housing operating subsidies -- an increase of $44 million -- is ostensibly based on the overall economic assumptions of the budget. The budget assumes a 6% inflation rate. In fact, however, after allowing for a $12 million "appeals fund" to handle instances where the performance funding system does not meet needs, the increase is only $32 million, or 4.7% -- well below the inflation rate that is assumed. Both HUD, in its review of troubled FHA projects, and the Congressional Budget Office, in a study of the rising costs of home ownership, report that utilities, maintenance, and other expenses have been

rising at a rate of 12% per year. Moreover, many housing projects have accumulated maintenance problems -- a result of the inadequacies of prior years -- and need to deal with them. As of December 1976, HUD estimated "outstanding routine maintenance" needs at $163 million and total deferred maintenance needs at $401 million.

An appropriation of $1 billion for operating subsidies would permit HUD to provide the additional subsidies needed to cover a 12% increase in operating costs offset by a 3.5% increase in tenant income. (Between 1975 and 1976, the latest years for which we have figures, the mean income of public housing tenants increased by 3.4%.) This would require a total of $755 million. In addition, the $12 million appeals fund could be initiated; the $163 million in outstanding routine maintenance could be dealt with; and $70 million would be available to apply to deferred maintenance.

Coupled with the increase in operating subsidies should be a more adequate level of modernization funding. This year's proposal for $37.5 million in contract authority is $5 million less than the 1978 amount. In contrast, $75 million alone would be needed to take care of known modernization and deferred maintenance needs -- and this does not include the retrofitting that energy conservation should make obligatory.

A recent GAO report on the 236 program makes a series of comparisons between 236 and public housing -- in each case using assumptions which admittedly err on the side of inflating the cost of public housing and minimizing the cost of 236. Yet, in each case, public housing, which serves a lower income group of tenants, costs less.

The nation has a major investment in its present stock of public housing. It needs modernization to maintain that investment, and operating subsidies to permit it to serve low income people as intended by the Congress.

Operating subsidies for "troubled" FHA projects. As of the end of fiscal 1977, HUD's rental housing assistance programs were providing interest subsidies, primarily through the 236 and 221(d)3 programs, to a total of 543,360 units; rent supplements were being paid on 179,908 units, overlapping the 236 and 221(d)3 inventory. In addition, there were 772,423 units of unsubsidized, FHA-insured housing. HUD estimates in its budget submission that at the beginning of 1979 it will own 37,418 multifamily units and that another 221,653 units will be covered by assigned mortgages on hand. This is a total of 255,371 units. The budget is silent on the number of these units which are subsidized. However, as of October 1977, Assistant Secretary Lawrence Simons estimated that 154,724 families lived in troubled, subsidized projects -- either HUD-owned, assigned to HUD, or in serious default.

HUD is proposing a new operating subsidy program, to assist an estimated 130,000 units of subsidized multifamily housing, and requesting additional staff and funding of $74 million to implement it in 1979. This works out to an average subsidy of $569 per unit. However, HUD is reported by the National Housing Law Project to have estimated the total need, this year, for operating subsidies at $127 million, plus a 10% contingency factor, for a total of $140 million. Allowing for 12% cost increase between 1978 and 1979, this would indicate that the proposed troubled projects program should be authorized at a level of $156 million for 1979.

Failure to provide funding at this level will have two consequences. First, it will mean that tenants who now pay more than 25% of their incomes will be forced to continue to do so, or to move elsewhere; second, it will mean that projects will continue to become troubled. Indeed, if being "troubled" is a condition for receiving the operating subsidy, there is little incentive on the part of the managers to avoid it.

The subsidy proposed by HUD would apply to 236, 221(d)3 or rent supplement projects and would be available to restore or maintain the economic soundness of the project and to maintain its low to moderate income character. The amount of the subsidy is essentially up to HUD, provided it does not exceed the differential between projected income and estimated expenses. The availability of the subsidy is contingent upon project management in accordance with a HUD-approved management improvement and operating plan.

We support the proposed subsidy as a step toward the kind of broad-based program which is essential to assure that the present inventory of more than half a million assisted units remains available to low and moderate income families at rents they can afford. We also support the request for increased staff to monitor the management of projects subsidized through these programs. This increase is, in our view, essential if HUD is to be able to carry out its present responsibilities and to take advantage of the leverage which the new program provides to improve management standards.

To a degree, the cost of the operating subsidy will be offset by savings to the insurance fund, as defaults are prevented. In 1977, HUD's losses on disposition of subsidized projects were estimated at over 70¢ for each dollar spent. The average loss per claim has been $1.6 million.

The 236 program has accurately been described by HUD, in its comments on the GAO report, as "a lower income program with a subsidy designed for moderate income households." The subsidy covers interest only, down to the equivalent of a 1% rate. The 221(d)3 subsidy is a shallower 3%. Many of the project sponsors miscalculated their operating costs, and found them higher than anticipated. Moreover, operating costs have risen at a rate of 12% annually, while tenant incomes have risen at a rate of 6%. Congress recognized the need for operating subsidies in 1974 and again in 1977. Now, at last, HUD has responded with a proposal to provide them, short of being ordered to do so by a federal court.

Need for a 1978 Supplemental to Fund Operating Subsidies. Despite the authorization for operating subsidies for 236 projects in the Housing and Community Development Act of 1974, HUD has paid these subsidies only after litigation and a court order to do so. In 1977, Congress again provided for operating subsidies and, in response, HUD prepared a request for a supplemental appropriation and submitted it to the Office of Management and Budget. A handbook for implementing the program was prepared and distributed to the field, according to information obtained by the National Housing Law Project. Then, OMB rejected the HUD request.

A partial, and wholly inadequate, effort to provide assistance to cover operating costs and lower tenant rents is the request for a supplemental appropriation of $24.2 million for rent supplements. We support this request, but it will only assist projects which are already receiving rent supplements, and need increased funding. Tenants in other

projects will not be eligible, however low their income or however great their need.

The median rent-income ratio in 236 projects is 31%. This means that half of all 236 project residents are paying more than that, despite the intent of the program to provide shelter at rents which low and moderate income people could afford. Moreover, unless the pattern differs from that of all other rental housing, the highest rent-income ratios are paid by the lowest income people -- those who can least afford them.

It is not too late for a supplemental appropriation for a 236 operating subsidy to be effective. Under the provisions of the authorizing legislation, funds provided this year would cover the entire fiscal year, so that benefits would be effective as of October 1, 1977.

On March 20 of this year, the Ad Hoc Low Income Housing Coalition, on behalf of some 56 national and local organizations, wrote the members of this Subcommittee to urge immediate action on a supplemental appropriation to fund the 236 operating subsidy program. This letter is included as an appendix to this testimony. We urge your action on this matter, as well as on the 1979 appropriations for operating subsidies.

Counselling. One of the very few real increases in the HUD budget for 1979 is for counselling. The increase, from $5 million provided for 1978, to $8 million will enable HUD to provide counselling to 10,000 additional clients. Last year, the Ad Hoc Low Income Housing Coalition urged a $10 million appropriation for counselling; we repeat this recommendation this year -- although it falls almost as far short as the HUD budget request does of responding to the need for adequate and effective counselling of buyers.

HUD anticipates 685,000 applications for home mortgages during fiscal 1979. Yet, unless some of the funds requested are used for prepurchase counselling -- thus diverting them from meeting needs for default counselling -- there will be no program to provide buyers with the counselling they need.

Conclusion. This testimony has been presented within the framework of the proposals before the Congress. While we have called for substantial program expansions, we have not dealt with the need for new programs and legislation to meet either the critical problem of displacement, which is being intensified in many neighborhoods by the public activities in support of private reinvestment, or the problem of providing assistance to low income home owners, who are unable to meet the rising costs of heat, utilities, maintenance and taxes.

This year, the Congress will consider the question of housing goals and housing needs. We urge that it do so by developing an approach that will make "a decent home and a suitable living environment" a reality for all low income families.

Table I

SUBSIDIZED HOUSING UNIT RESERVATIONS

	1976 & TQ Actual	1977 Actual	1978 Estimate	1979 Estimate	Change 1978-79
HUD Programs					
Section 8:					
New construction	157,116	145,272	105,010	110,000	+4,990
Substantial rehabilitation	18,271	21,124	56,050	70,000	+13,950
Moderate rehabilitation	---	---	---	39,000	+39,000
Existing	203,046	140,480	142,810	115,000	-27,810
Loan Management	111,448	21,101	10,000	10,000	---
	490,581	330,977	313,870	344,000	+30,130
Public and Indian housing					
New construction	NA	29,579	43,285	46,000	+2,715
Substantial rehabilitation	NA	2,185	20,000	10,000	-10,000
Existing	NA	25,672	3,085	---	-3,085
Subtotal	26,140	57,436	66,370	56,000	-10,370
Section 235	18,574	4,719	30,000	50,000	+20,000
Section 236	11,515	---	---	---	---
Other	-4,443	---	---	---	---
Section 202	(29,857)	(24,791)	(23,600)	(25,000)	(+1,400)
Total, HUD	542,367	393,132	410,240	450,000	+39,760
Farmers Home Programs					
Grants					
504 very low income home repairs*	---	1,682	1,855	8,000	+6,145
Loans					
502 home ownership					
New construction, purchase	54,325	39,337	37,000	49,000	+12,000
Existing, purchase	21,447	20,796	28,000	20,000	-8,000
Existing, repair or rehab	618	841	2,200	6,500	3,300
Subtotal	76,390	60,974	67,200	75,500	+7,300
504 very low income repairs	3,115	3,028	5,556	8,000	+2,444
515 rental or cooperative	27,244	30,175	32,830	42,500	+9,670
514 Farm labor housing	866	1,208	1,294	3,000	+1,706
Subtotal, loans	107,615	95,385	106,880	129,000	+22,120
Total, FmHA	107,615	97,267	108,735	137,000	+28,265
GRAND TOTAL	649,982	490,399	518,975	587,000	+68,025

* Some or all counted again under 504 loans.

Table 2

ILLUSTRATIVE PROGRAM: ADDITIONAL UNITS REQUIRED FOR 1.2 MILLION UNITS TOTAL

	Total		Nonmetro	
Proposed in 1979 budget:	New/Rehab	Existing	New/Rehab	Existing
HUD programs	286,000	164,000	64,350	36,900
FmHA programs	94,500	42,500	94,500	42,500
Total	380,500	206,500	158,850	79,400
Additional units needed	219,500	393,500		
Illustrative Program				
HUD Section 8:				
Existing	---	375,000	---	84,370
New/rehab				
State agency	50,000	---		
202	50,000	---		
FmHA 8/515	(6,000)	---		
Private, insured	30,000	---		
Private, uninsured	6,000	---		
	136,000	---	30,600	---
Public housing	50,000	---	11,250	---
Subtotal, HUD	186,000	275,000	41,850	84,370
FmHA home ownership	26,000	---	26,000	---
very low income repair	---	18,500	---	18,500
Rental	7,500	---	7,500	---
Subtotal, FmHA	33,500	18,500	33,500	18,500
TOTAL	219,500	393,500	75,350	102,870

Note: Nonmetro portion of HUD units is estimated at 22.5% of all HUD units. This produces a total nonmetro program level of 238,250 proposed by Carter, plus 178,220 in the illustrative program, for a grand total of 416,470.

Table 3

ESTIMATED COST OF ILLUSTRATIVE PROGRAM
(Dollars in millions)

Program	Number of units	Contract Authority*	Budget Authority	Loans
HUD Section 8:				
Existing	375,000	$825	$12,375	---
New/rehab				
State agency	50,000	225	9,000	---
202	50,000	210	4,200	1,600
FmHA 8/515	(6,000)	19.2	384	---
*Private, insured	30,000	123	2,460	450[a]
*Private, uninsd.	6,000	24.6	738	---
Subtotal	136,000	601.8	16,782	2,050
Subtotal, Section 8	511,000	1,426.8	29,157	2,050
HUD public housing	50,000	145	5,800	---
TOTAL, HUD	561,000	1,571.8	34,957	2,050
Farmers Home				
502 home ownership	26,000	---	---	740.2
504 low income repair	18,500	46.25	46.25	46.25[b]
515 rental housing	7,500	(19.2)[c]	(384)[c]	144.7[c]
TOTAL, FmHA	52,000	46.25	46.25	1,671.35
GRAND TOTAL	613,000	$1,618.05	$35,003.25	$3,721.35

* Contract authority is also included in budget authority

a Assumes that 15,000 will be financed through GNMA tandem.

b Assumes average of $2,500 grant and $2,500 loan for each unit.

c Assumes 6,000 units under Section 8/515 program

Table 4

ESTIMATED PER UNIT COSTS OF SUBSIDIZED HOUSING

	Contract Authority	Budget Authority	Term of Subsidy
HUD programs:			
Section 8:			
New construction:			
State agency	$4,500	$180,000	40 years
202	4,200	84,000	20 years
FmHA	3,200	64,000	20 years
Private, FHA insured	4,200	84,000	20 years
Private, noninsured	4,200	126,000	30 years
Substantial rehabilitation:			
State agency	4,500	180,000	40 years
202	4,200	84,000	20 years
Private, insured	3,950	79,000	20 years
Private, noninsured	3,950	118,500	30 years
Existing:			
Regular	2,200	33,000	15 years
Loan management	1,750	26,250	15 years
Moderate rehabilitation	2,750	41,250	15 years
Public housing:			
New construction	2,900	116,000	40 years
Substantial rehabilitation	2,900	116,000	40 years
Indian	4,200	134,400	32 years
FmHA programs:			
Loans:			
Home ownership:			
New construction	28,469		
Existing	27,350		
Repair, rehabiliation	10,000		
Very low income repair	3,000		
Rural rental housing	19,294		
Farm labor housing	12,667		
Grants.			
Very low income repair	3,000		
Farm labor housing	12,667		

Table 5. Estimated recipients of federal housing expenditures, by income class, fiscal 1977, in thousands.

Expanded income class*	Estimated taxpayers	Estimated tax expenditure beneficiaries	Estimated direct expenditure beneficiaries	Total	Beneficiaries as percent of all taxpayers
Under $5,000	25,474	255	1,508	1,763	7%
$5,000-10,000	20,109	2,212	859	3,071	15
Subtotal	45,583	2,467	2,367	4,834	11
$10,000-15,000	16,106	5,154	128	5,282	33
$15,000-20,000	11,824	5,203	---	5,203	44
Subtotal	27,930	10,357	128	10,485	38
$20,000-30,000	9,907	6,539	---	6,539	66
$30,000-50,000	3,347	2,644	---	2,644	79
Subtotal	13,254	9,183	---	9,183	68
$50,000-100,000	985	827	---	827	84
Over $100,000	247	217	---	217	88
Subtotal	1,232	1,044	---	1,044	85
Total	87,998	25,343	2,495	27,838	32

* Expanded income class is defined by Treasury as adjusted gross income plus untaxed part of capital gains, percentage depletion in excess of cost depletion, and other tax preferences subject to minimum tax.

Source: Estimated taxpayers uses Treasury figures contained in Senate Budget Committee release of February 13, 1978. Estimated tax beneficiaries assumes that proportion is same as taxpayers claiming home owner deductions in 1976 (from HUD's 9th annual housing goals report) and is therefore underestimated; direct expenditure beneficiaries calculated as in Table 1. Assumption is made that tax and direct expenditure beneficiaries do not overlap, so proportion of beneficiaries at lower end of income distribution is probably high, while that at upper end is probably low.

Table 6. Approximate distribution of housing expenditures, by income class, fiscal 1977
(expenditures in millions of dollars)

Expanded income class	Estimated tax expenditures*	Estimated direct outlays**	Estimated total expenditures		Estimated taxpayers in income class	
			Dollars	Percent	Number (000)	Percent
$0-$5,000	$23	$2,376	$2,399	18.1%	25,474	28.9%
$5-10,000	201	514	715	5.4	20,109	22.9
Subtotal	224	2,890	3,114	23.5	45,583	51.7
$10-15,000	810	132	942	7.1	16,106	18.3
$15-20,000	1,553	--	1,553	11.7	11,824	13.4
Subtotal	2,363	132	2,495	18.8	27,930	31.7
$20-30,000	3,167	--	3,167	23.9	9,907	11.3
$30-50,000	2,387	--	2,387	18.0	3,347	3.8
Subtotal	5,554	--	5,554	42.0	13,254	15.1
$50-100,000	1,301	--	1,301	9.8	985	1.1
$100-200,000	442	--	442	3.3	198	0.2
Over $200,000	326	--	326	2.5	49	0.1
Subtotal	2,069	--	2,069	15.6	1,232	1.4
TOTAL	$10,210	$3,022	$13,232	100.0%	87,998	100.0%

Source: Estimated tax expenditures are Treasury estimates contained in Senate Budget Committee press release of February 13, 1978. Estimated direct expenditures are based on distribution of housing subsidy recipients, using 1976 HUD Statistical Yearbook figures for distribution of 236, rent supplement and public housing (incomes at recertification); assuming 235 "old" program was identical with 236 and "new" program fell between $10,000 and $15,000, and Section 8 distributed according to tentative HUD figures for existing Section 8 as of June 30, 1977. HUD estimates based on assumption that average per unit subsidy in each program for $0-5000 income range was double that for $5-10,000 range; and for $10-15,000 range was half that for $5-10,000 income range. Based on actual occupied units for each program at end of fiscal 1977 as shown in HUD 1979 Budget.

* Housing-related expenditures, as detailed on Table 3.

** Outlays for HUD-subsidized low and moderate income programs: 235, 236, rent supplement, public housing, and Section 8 occupied units.

Ad Hoc
Low Income Housing Coalition

215 Eighth Street, N.E., Washington, D.C. 20002 • (202) 544-2544

Chairperson
Cushing N. Dolbeare

March 20, 1978

We write to urge your support in enacting a supplemental appropriation for the Section 236 operating subsidy program. There is a critical need for this appropriation, which has been recognized by Section 236 owners and tenants alike, to provide subsidies which are necessary to stablize tenants rents, save housing projects from default and foreclosure and to avoid perpetuating huge losses to the FHA insurance fund. It is clear that the benefits of this program far outweigh the costs.

The Section 236 housing program was created to assist lower income families in obtaining decent, safe and sanitary housing at affordable rents. To achieve this objective, interest reduction subsidy payments are provided to Section 236 project owners who pass the savings on to tenants in the form of reduced rents. In 1974, Congress recognized that this fixed subsidy could not meet the problems created by rampant inflation and the utility crises. Thus, it enacted the Section 236 operating subsidy program to offset escalating and uncontrollable costs of property taxes and utilities, so that projects would be viable while rents remained at levels which tenants could afford. Despite this congressional mandate, HUD claimed the operating subsidy program was discretionary and refused to implement the program except when required to do so by a specific court order. In Section 206 of the Housing and Community Development Act of 1977, Congress reiterated its directive that HUD must pay operating subsidies, recognizing that without these subsidies, projects would continue to default at an alarming rate, that losses resulting from foreclosure and sale would increase, and that tenants would continue to be forced to pay excessive and burdensome rents. (As of December 31, 1976, HUD had lost over $50 million which was 65 percent of its capital investment on 59 Section 236 projects foreclosed and sold.) Congress considered the cost of the operating program a reasonable investment to preserve the Section 236 program for lower income families and to eliminate losses to the FHA insurance fund.

HUD currently acknowledges the need for operating subsidies

and that the program is mandatory. It requested funding for this program for FY 78 but the Office of Management and Budget rejected the proposal and the President in his budget message of January 23, 1978 failed to request any money for the program. (The Administration's budget did request for FY 78 a special one-year appropriation of $24.3 million for rent supplements. Although we strongly support this request, it should be noted that these funds will not even address the needs of a majority of tenants and projects that are eligible for the benefits of operating subsidies.)

HUD has delayed implementation of the revised 1977 operating subsidy program asserting that it has insufficient funds. It estimates the total need for FY 78 to be $127 million plus a 10 percent contingency factor which would increase the cost to $140 million. We believe this figure is excessive because it does not take into account other funds which HUD could use for operating subsidies. For example, the Secretary has $35.3 million of Section 236 contract authority of which at least $2.2 million is unobligated. Also there has been accumulating, since October 1, 1977, approximately $1 million per month in the reserve fund, which is specifically designated for operating subsidy payments. (HUD now justifiably proposes to use the $60 million which had accumulated in that fund prior to October 1, 1977 in satisfaction of litigation claims of tenants and project owners under the 1974 Act.) All of the contract authority, but certainly the $2.2 million of contract authority and the reserve fund accumulations (approximately $12 million for one year), is available for operating subsidies. If the latter sums were fully utilized for operating subsidies, only $113 million would be necessary for operating subsidies for FY 78 ($127 million minus $12 million minus $2.2 million).

Moreover, implementation of the operating subsidy program would result in savings in other rental subsidy programs, such as rent supplement (estimated by HUD to be $11 million), Section 8 and deep subsidy programs. No HUD figures are available for the latter programs but it is estimated that the savings for the Section 8 program could approximate $21 million. Thus, the actual cost to the federal government for implementing the operating subsidy program could be reduced by more than $45 million ($12 million plus $2.2 million plus $11 million plus $21 million).

Seventy-five million dollars of contract authority has been authorized for the Section 236 program which has never been released. Without consideration to savings from other rental assistance programs if the $75 million was released for the operating subsidy program, an additional appropriation of only $38 million ($113 million minus $75 million) would be sufficient to enable HUD to pay full subsidies nationwide.

We appreciate your concern for this issue and hope you will

be able to assist us. If you need further information, please do not hesitate to contact any of the signatories.

Sincerely yours,

CATHERINE M. BISHOP
PATRICIA R. TENOSO
JAMES C. STURDEVANT
FLORENCE ROISMAN
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Ms. Dolbeare. I am Cushing Dolbeare, a consultant in housing programs. My professional experience over the last 25 years has been focused on the housing problems of low-income people, including substandard housing, housing discrimination, and types and levels of programs that are needed to meet their housing needs.

I am afraid I am going to add to your problems and those of the President, in terms of our comments on the HUD budget. I hope I can suggest a couple of solutions.

The Ad Hoc Coalition is a coalition of public interest organizations focusing on the housing problems of low-income people. We approach housing as a human need. Our concern is with the housing of low-income people—their homes, their neighborhoods, where they live and how they live.

We use the term "housing" broadly, to include not just structure, but the neighborhood in which the house is located. Our commitment is to seeing that low-income housing needs are met—not to new production, or rehabilitation, or conservation, or to any particular program or agency.

The 1979 budget does not increase the federal commitment to meeting low-income housing needs. In fact, it decreases it. Compare the figures in this budget with the figures presented by the outgoing Ford Administration last year. Last year the total number of assisted units requested by the outgoing administration through HUD and the Farmers Home Administration was 595,000 units, almost the national goal of 600,000, although it included the existing housing in addition to new production and rehabilitation.

This year the total submitted for HUD and the Farmers Home Administration is lower than that by some 8,000 units. There's a substantial reduction for HUD because this year HUD is only proposing 50,000 units through the 235 program. There is some increase offsetting that for the Farmers Home Administration.

It is very clear to us that HUD has the capacity to handle more units than are presently being provided. Indeed, in the 12 months just preceding the 1977 fiscal year, the last 9 months of Fiscal 1976, HUD made a total of 542,000 reservations. That's the highest number of any year in history.

457,000 of those reservations were for Section 8 programs, so HUD clearly has the capacity. Those reservations are the units that are now being converted into housing starts which this Administration is rightly very proud of.

We urge, in order to begin more adequately to address housing needs, that the subsidized housing program levels of HUD roughly be doubled. So we have a total program of 1.2 million units, 600,000 units of new and substantial rehabilitation through HUD and the Farmers Home Administration, and another 600,000 units in existing stock to deal with the problems of people who can obtain decent housing if only they could pay for it.

The reasons that we feel that we are making this proposal in spite of the President's interest in balancing the budget is because there are now 11 million renter households and 7 million owner households paying more than a quarter of their income for housing.

These were people with income at the very low end of the income scale, primarily below $3,000, some between $3,000 and $5,000, and

very few with incomes over $5,000. Only 3 percent of the households paying more than a third of their incomes for shelter had incomes over $10,000. We had in 1974 some 16 percent of our housing starts with 2 or more defects, as identified by the annual housing survey.

In light of these needs, we urge this Committee to do the only thing I guess you can do, which is to appropriate the full amount that is authorized by the Authorizing Committee, and to urge the Authorizing Committees to authorize more adequate levels.

This, we recognize, would roughly double the proposals of HUD for assisted housing, contract authority and the long-run payout.

Now to where you can find the money. This year's budget calls for roughly $4 billion in outlays through HUD and the Farmers Home Administration for subsidized housing. There are also $10 billion in housing-related tax expenditures through the homeowner deductions for mortgage interest and property taxes, and another $2 billion in housing-related tax expenditures.

It seems to us the only way we are going to get the kind of housing programs that are targeted more directly on meeting basic needs without adding to the strain on the budget is to find some way of addressing tax expenditures and direct expenditures through the same kind of system of budgeting process and appropriations.

If you look at page 3 of my statement at the distribution of housing expenditures by income class, counting tax expenditures, you find that in 1977, an estimated 16 percent of all housing expenditures went to the 1.4 percent of taxpayers with incomes above $50,000. Nine out of ten taxpayers in this income bracket received a housing-related tax deduction or benefit.

The average cost to the Federal Government per recipient was $165 per month. If you compare that to what happens for low-income people, you find that 18 percent of all housing subsidies went to the 30 percent of all households with incomes below $5,000, but only 1 household in 14 received any kind of housing assistance; and the average amount of assistance per recipient was $133 a month.

We think that this disparity has to be addressed. The only way it can be addressed is through the authorization and appropriations process for assisted housing.

If you could give low-income people equity with upper-income people, if we were ready to spend the $10 billion to assist low-income people that we now provide through homeowner tax deductions, we could make a much more effective attack on our housing problems.

There are some specific concerns we would like to call to your attention: The need for additional public housing operating subsidies and modernization. The Administration requested $729 million for public housing operating subsidies. That is an increase, a real increase, of 4.7 percent, because they are establishing a $12 million appeals fund.

They base the initial presentation on an assumption that inflation would add six percent to the cost of operating subsidies, whereas actually the operating costs of operating housing have been rising at a rate of twelve percent a year.

In addition, HUD estimated in 1976 that there were outstanding routine maintenance needs in public housing at $163 million, and total

deferred maintenance of $41 million. We therefore urge an appropriation of $1 billion for operating subsidies for public housing.

This would cover a 12 percent increase in operating costs offset by an estimated 3½ percent increase in tenant income. It would also provide for the appeals fund. It would cover the outstanding routine maintenance, and it would allow an additional 7 million to be applied to deferred maintenance.

We also urge an increase, not a decrease—as it is proposed—in funding for modernization. The Administration is proposing $37½ million.

It would take double that to take care of modernization and deferred maintenance needs without including the retrofitting that energy conservation should make obligatory.

There is a recent GAO report on the 236 program I read with considerable interest. One of the most interesting parts of that report was a continued comparison of the 236 program which it found to be a good program in public housing.

In each case, using assumptions which erred on the side of inflating the cost of public housing and minimizing the cost of 236, and in each case where the comparison was made, the GAO report found public housing which serves a lower income group of tenants, costs less than 236.

Finally, I would like to address myself to the need for operating subsidies for the 236 program. HUD, in responding to the GAO report, described that program as a lower income program with a subsidy designed for moderate income households.

That is an extremely accurate description. That's exactly what it is.

It covers interest only, not operating costs. Yet many of the occupants of the 236 program are lower income households, most of them are dependent either on Social Security or other forms of assistance for their income. Few of them are actually getting all, that is, earn all of their income through employment. They tend to have fixed incomes. They can't pay higher rents. Median rents in 236 projects now are 31 percent of income. That means half of the residents of this subsidized housing are paying more than a quarter of their income for shelter.

We strongly support—as a beginning—the $74 million which HUD has requested for next year for operating subsidies.

We strongly support the staff increase. We dont' think that the subsidy that they are proposing will be enough to take care of any but the most critically troubled projects.

We think it is both right and prudent to provide additional funding for operating subsidies for projects before they get into trouble reducing the rent ratio of tenants back to the 25 percent which is envisaged in the law.

Similarly, we urge a supplemental appropriation this year to cover the need for operating subsidies this year.

In 1977, as in 1974, Congress provided for operating subsidies for the 236 program.

HUD prepared a request to OMB for operating subsidies and also prepared a handbook on how to influence the program and distribute it to the field. OMB then rejected the request, continuing a pattern of

OMB handling of HUD requests which was established in the last Administration.

The Administration has a proposal for a supplemental for $24 million, roughly, in recent supplemental authority.

That will take care of part of the problem, but only for those tenants in projects that are already covered by rent supplements.

It will add to the rent supplement contracts for receiving rent supplements, but it will do nothing about tenants in other projects who will not be eligible for assistance however low their income or however great their need.

We estimate that it would take a supplemental appropriation of $113 million to fully fund the operating subsidy program this year. That would be offset by some savings in other programs, such as section 8 people already living in 236 projects, and so forth.

We urge your consideration of that, and attached to my testimony is a copy of a letter which each member of this Committee received from our Coalition submitted on behalf of almost 60 organizations, specifically urging that supplemental appropriations and giving additional information about it.

I would be glad to answer any questions.

Mr. TRAXLER. I am just thinking of the cost of the 200,000 unit section 8 increase. I believe the contract authority would be some $600 million additional and the budget authority some $15 million additional. It has a run-out time of 40 years. 40 times $15 million—$600 million.

Ms. DOLBEARE. We figured the budget increase in table 3 in the testimony. We figured it at 30 billion dollars in budget authority, $1½ billion in contract authority. With different mixes, you get different results.

I don't think—those figures are difficult to deal with. On the other hand, for all of the years I have been in housing, we have been looking for inexpensive solutions to low-income housing problems. Those inexpensive solutions don't exist. We have to face up to the need for spending the money.

I hope we can look at programs and find better ways of financing them and budgeting them. I do think that money that is in the budget authority will be required.

If we don't budget other programs, somehow we need to put housing on the same kind of basis we put other programs for budgeting purposes.

Mr. TRAXLER. Have you been to the Ways and Means Committee with your recommendations relative to the interest deduction?

Ms. DOLBEARE. Yes, I have. Several times.

Mr. TRAXLER. We will await their action with interest.

Ms. DOLBEARE. I think part of the difficulty is there is tremendous resistance to dealing with the tax problems, particularly the other tax housing-related subsidies without some substitute program for continuing investment, particularly, in subsidized housing.

I think there really needs to be some special kind of joint committee, so the tax aspect and the substantive legislation can be looked at simultaneously.

Mr. TRAXLER. Certainly, your presentation is well researched. There is information in there that is absolutely startling.

Larry, did you have any questions?

Mr. COUGHLIN. No. You certainly speak very authoritatively in this field.

If you had the kind of housing program that you would like, having everyone paying no more than 25 percent of their income, what would be the total cost to the Federal Government?

Ms. DOLBEARE. I would be glad to supply that for the record.

I testified this morning on the Senate side on housing goals. I was asked to produce that kind of estimate.

I did it several years ago, using much higher goals, such as providing enough subsidized housing so that every low-income family would have an equal opportunity of getting into new housing, which would imply subsidizing something like 60 to 80 percent of all construction.

At that point I figured the annual cost to the Federal Government would be on the order of $90 billion a year.

Now it could be done. We could provide people with adequate shelter for less than that.

My guess is that it would come out to somewhere between around $20 billion.

I would be glad, as I say, to submit estimates for the record.

Mr. COUGHLIN. Thank you very much.

Mr. TRAXLER. Thank you.

SECTION 8

WITNESS

JOHN ELLER, EXECUTIVE DIRECTOR, MASSACHUSETTS HOUSING FINANCE AGENCY

Mr. TRAXLER. We are pleased to welcome John Eller, executive director of the Massachusetts Housing Finance Agency. The Chairman asked that we express to you his regrets. He's chairing the Select Committee on Intelligence.

Mr. ELLER. Thank you, Mr. Chairman.

I am executive director of the MHFA, the Massachusetts Housing Finance Agency, and am appearing before you on behalf of the Council of State Housing Finance Agencies, of which the MHFA has been a long and good member for a number of years.

Bill Johnston, president of the MHFA, asked me to represent him and the Council today. I send his greetings to you, Mr. Chairman.

Mr. TRAXLER. Thank you.

Mr. ELLER. The Council currently has 41 member state housing finance agencies as well as over 110 developers, investment bankers, professionals, and others involved in the state agency movement.

Our 1978 housing program is a simple one—strong support of the Section 8 housing assistance program and equitable treatment under the Troubled Project Operating Subsidy Program proposed by HUD, presently pending before the Congress.

After a slow start, Section 8 has finally lived up to the expectations of its adherents and met the challenge of its critics. By the end of Fiscal 1977, it proved that it could be a production program, accounting for 140,000 starts, and we are proud to say that 56,000 of these were accounted for by our state housing finance agencies, a not inconsiderable number from the leading five—if you will forgive my

comment, Mr. Chairman—from your state including Pennsylvania, New Jersey, and New York.

Section 8 works not only for us, but also for the entire housing development community as well. We commend HUD for its emphasis on production last year that made this construction start record possible.

We are here today to offer strong support of the Administration's request for sufficient authorization for 180,000 new or substantially rehabilitated units, and 164,000 existing units. Our only quarrel with this request is that it is not enough. The 400,000 units of subsidized housing sought by the Administration are only two-thirds of our annual goal of 600,000 and can in no way dent the cumulative deficit that has accrued since that goal was established in 1968. For this reason, we urge the Congress not to reduce the Administration's appropriations request, as was done last year, or to change the mix between Section 8 and public housing sought by the Administration. We support the public housing program and believe that the 50,000 units that the Administration is requesting will enable the program to continue at a satisfactory level.

In Fiscal 1978, Congress earmarked authority for state agencies and did likewise for Section 202 and PHA-owned projects. The Department of Housing and Urban Development opposed such set-asides as a limitation on its flexibility in program administration, especially in view of other restraints imposed upon them by local Housing Assistance Plans. Although there is strong support for continuation of the state agency earmarkings in view of our excellent production record, the Council of State Housing Agencies will not seek this set-aside in Fiscal 1979 and will support HUD's efforts to prevent earmarking of any kind. We concur with the Department.

As the Secretary indicated in her testimony before the authorizing Committee, the Department will continue the established practice of notifying each agency in the fiscal year of the number and type of subsidies it can expect to receive so that we state agencies can plan adequately for the work load that we face. It does take us four months to take a proposal in from start to finish, at least construction planning through construction start.

We are assured that in making these allocations, HUD will fully consider our ready ability to transform housing subsidies into housing starts. Of course, if Congress does earmark funds specifically for other housing programs, then we will pursue with great energy special set-asides for state agencies within the budget. Further, we have some real reservations about the provision in the Administration's bill that would wipe this year's set-asides off the book at the end of the fiscal year.

I would like to make a few general comments concerning state participation in the Section 8 program. First, state HFAs offer major advantages to the Federal Government. These advantages include the following:

(1) Greater flexibility than HUD or Public Housing Authorities

(a) as evidenced by our ability to provide financing without requiring FHA insurance of the loan. The benefit to the Federal Government is the reduction of risk to HUD and the Congress, thereby limiting the escalation of insurance funds.

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(b) Our flexibility is also evidenced by the fact that many state FHAs have helped the Federal Government meet the increasing long-term budget costs of housing by reducing the terms on our housing assistance payments contracts from 40 to 30 years in a majority of cases during the past year. This has occurred in our sister agencies. As you know, Mr. Chairman, this was a major concern of this Committee at this time last year and we are pleased to have been able to cooperate with you towards your goal of reducing overall costs to the Federal Government.

(c) Processing capacities that have been demonstrated over time to be efficient and effective methods of insuring compliance with congressional expectations for actual construction starts for low and moderate income housing. Trying to meet the congressional expectations when you appropriate the Section 8 funds. You have a right, I am convinced, to know when those are used to build housing.

Mr. ELLER. Second, we keep hearing that Section 8 state units are more expensive than units funded out of the HUD area office. In our 1977 testimony, we dwelt at length to refute this assertion. We will not fully repeat our contentions here. In the past year, however, some of the necessary analysis to this cost question has been made. Even by HUD's figures, our costs are quite comparable with directly funded HUD projects. We believe that if, instead of making gross comparisons as was earlier done, we compare projects on the basis of location, building type, and the cost distinction between HUD and us would virtually disappear. MHFA, for example, has done some extensive analysis to clarify this particular contention and I will be submitting our findings on comparative construction costs. A sample of recent developments is attached for the record.

Mr. TRAXLER. Thank you.

Mr. ELLER. This shows comparisons between MHFA, our Department of Community Affairs, and our area HUD office.

Mr. ELLER. Third, it is said that we do far more elderly units than nonstate-financed developers funded directly from HUD area offices. On the contrary, HUD's own statistics show that our 64.5 elderly percentage is less than HUD's corresponding percentage of 67.4. Not a great difference, but not a difference one can highlight. It is simply not true that state agencies have been less "family-oriented" than HUD through its direct administration. The reverse is true. As for MHFA, two-thirds of our permanently financed portfolio housing is serving the shelter needs of families.

Fourth, state agency-financed and directed HUD-administered developments have been built in approximately the same proportion of new construction to substantial rehabilitation, that is 87.8 percent. Thus state agencies are no more "new construction" oriented than the direct HUD programs. In Fiscal 1978, HUD is putting great emphasis on substantial rehabilitation, reflecting in part local Housing Assistance Plans and reflecting in part HUD's urban policy directions in this area. State housing finance agencies should be doing more rehabilitation, but this picture cannot be turned around in one year.

As of this time, over 60 percent of our Fiscal 1978 funds are allocated for substantial rehabilitation, a sixfold jump from 10 percent record of last year across all of our agencies. This is simply too much too soon, and our member agencies are now working with the

Department to establish realistical rehabilitation goals during this fiscal year.

I would like to add that MHFA enjoys and will continue to enjoy the reputation of being the national leader among HFAs and PHAs in creating and maintaining units of rehabilitated housing. Old mills, schools, hotels, and factories are among our best examples of rehabilitation and conversion which constitute over 17 percent of our total permanently financed units.

Mr. Chairman, in the materials submitted to you, there is a long discussion on HUD's proposed Troubled Project operating subcommittee program. If I might just briefly state that it is our view that HUD seeks to protect one type of Section 236 projects. Those assured under Section 236–J in other HFA programs. The authorization would not make this available to the other 236 projects, namely those financed by the state housing finance agencies under Section 236–B. Frankly, we have extreme difficulty in understanding the rationale for this particular distinction.

Mr. TRAXLER. Were you offered one?

Mr. ELLER. No.

Mr. BOLAND. Did you seek one?

Mr. ELLER. We have been seeking one. We have been in discussions with HUD. I think the priority they have indicated to us, Mr. Boland, is they are concerned about their developments. We were getting some assistance, at least I will speak for MHFA, on trying to utilize existing 236 funds and convert it in some fashion for deeper subsidy where it's necessary, particularly because of the inflation and escalation we have seen in a number of the operating costs that we face in a number of our urban areas.

The modest increase that is being proposed by the Council to the Congress is approximately 20 percent. We believe that this addition to the funding available for the Troubled Project operating subsidy would provide equity for the state housing finance agencies this year.

Finally, that the Congress ever intended that subsection lettering within Section 236 of the Housing Act would produce such business are discrepancies.

Mr. Chairman, I will conclude the formal remarks I will make before you. I have submitted a statement and some figures to the Committee. I would be pleased to answer any questions the Committee has. I appreciate the opportunity to speak before you this afternoon for the Council of State Finance Agencies.

[The complete statement follows:]

TESTIMONY OF JOHN T. ELLER

ON BEHALF OF THE

COUNCIL OF STATE HOUSING AGENCIES
BEFORE THE
SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
HOUSE COMMITTEE ON APPROPRIATIONS

April 11, 1978

Mr. Chairman, my name is John T. Eller. I am Executive Director of the Massachusetts Housing Finance Agency and am appearing before you today on behalf of the Council of the State Housing Agencies of which the Massachusetts HFA has long been an active member. William Johnston, the President of CSHA, has asked me to represent him and the Council today. For all of us I extend our appreciation to you, Mr. Chairman, and the Subcommittee for your invitation to speak before you. The Council currently has 41 member State housing finance agencies as well as over 110 developers investment bankers, professionals and others involved in the state agency movement.

Basically, our 1978 housing program is a simple one - strong support of the Section 8 housing assistance program and equitable treatment under the Troubled Project Operating Subsidy Program proposed by HUD.

After a slow start, Section 8 has finally lived up to the expectations of its adherents and met the challenge of its critics. By the end of Fiscal 1977, it proved that it could be a production program, accounting for 140,000 starts, and we are proud to say that 56,000 of these were accounted for by our State housing finance agencies. Accordingly, Section 8 works not only for us, but also for the entire housing development community as well. HUD is to be commended for its emphasis on production last year that made this start record possible.

We are here today to offer strong support of the administration's request for sufficient authorization for 180,000 new or substantially rehabilitated units, and 164,000 existing units. Our only quarrel with this request is that it is not enough. The 400,000 units of subsidized housing sought by the Administration are only 2/3 of our annual goal of 600,000 and can in no way dent the cumulative deficit that has accrued since that goal was established in 1968. For this reason, we urge the Congress not to reduce the Administration's appropriations request, as was done last year, or to change the mix between Section 8 and public housing sought by the Administration. We support the public housing program and believe that the 50,000 units that the Administration is requesting will enable that program to continue at a satisfactory level.

In Fiscal 1978, Congress earmarked authority for state agencies and did likewise for Section 202 and PHA owned projects. The Department of Housing and Urban Development opposed any such

set-asides as a limitation on its flexibility in program administration, especially in view of other restraints imposed upon them by local Housing Assistance Plans. Although there is strong support for continuation of the state agency earmarkings in view of our excellent production record, the Council of State Housing Agencies will not seek this set-aside in Fiscal 1979 and will support HUD's efforts to prevent earmarking of any kind.

As indicated by the Secretary in her testimony before the authorizing Committee, the Department will continue the established practice of notifying each agency in the fiscal year of the number and type of subsidies it can expect to receive so that we state agencies can plan adequately for the workload that we face. We are assured that in making these allocations, HUD will fully consider our ready ability to transform housing subsidies into housing starts. Of course, if Congress does earmark funds specifically for other housing programs, then we will pursue with great energy special set asides for state agencies within the budget. Further, we have some real reservations about the provision in the Administration's bill that would wipe this year's set asides off the book at the end of the fiscal year.

I would like to make a few general comments concerning state participation in the Section 8 program. First, State HFAs offer major advantages to the federal government. These advantages include the following:

1) independent access to the municipal bond market for construction loan notes, bond anticipation notes, and long-term bond financing;

2) greater flexibility than HUD or Public Housing Authorities

a) as evidenced by our ability to provide financing for low and moderate income housing without requiring FHA insurance of the loan. The benefit to the federal government is the reduction of risk to HUD and the Congress thereby limiting the escalation of insurance funds.

b) as evidenced by the fact that many State HFAs have helped the federal government meet the increasing long term budget costs of housing by reducing the terms on our housing assistance payments contracts from 40 to 30 years in a majority of cases during the past year. As you know, Mr. Chairman, this was a major concern of this Committee at this time last year and we are pleased to have been able to cooperate with you towards your goal of reducing overall costs to the federal government.

3) Processing capacities that have been demonstrated over time to be efficient and effective methods of insuring compliance with Congressional expectations for actual construction starts for low and moderate income housing.

Second, we keep hearing that Section 8 state units are more expensive than units funded out of the HUD Area Office. In our 1977 testimony, we dwelt at length to refute this assertion. We will not fully repeat our contentions here. In the past year however, some of the necessary analysis to answer this cost question has been made. Even by HUD's figures, our costs are quite comparable with directly-funded HUD projects. We believe that if, instead of making gross comparisons as was earlier done, we compare projects on the basis of location, building type, etc. the cost distinction between HUD and us would virtually disappear. MHFA, for example, has done some extensive analysis to clarify this particular contention and I will be submitting our findings on comparative construction costs. A sample of recent developments is attached for the record.

Third, it is said that we do far more elderly units than non-state financed developers funded directly from HUD area offices. On the contrary, HUD's own statistics show that our 64.5 elderly percentage is less than HUD's corresponding percentage of 67.4. It is simply not true that state agencies have been less "family-oriented" than HUD through its direct administration. The reverse is true. As for MHFA, two-thirds of our permanently financed portfolio financed housing serving the shelter needs of families.

Fourth, state agency-financed and direct HUD-administered developments have been built in approximately the same proportion of new construction to substantial rehabilitation, that is 87.8% for non-state agency projects and 89.7% for state agency projects. Thus, state agencies are no more "new construction" oriented than the direct HUD program. In Fiscal 1978, HUD is putting great emphasis on substantial rehabilitation, reflecting in part local Housing Assistance Plans and reflecting in part HUD's urban policy directions in this area. State housing finance agencies should be doing more rehabilitation, but this picture can not be turned around in one year. As of this time, over 60% of our fiscal 1978 funds are allocated for substantial rehabilitation, a six fold jump from our 10% record of last year. This is simply too much too soon, and our member agencies are now working with the Department to establish realistical rehabilitation goals during this Fiscal year. I would like to add that MHFA enjoys and will continue to enjoy the reputation of being the national leader among HFAs and PHAs in creating and maintaining units of rehabilitated housing. Old mills, schools, hotels, and factories are among our best examples of rehabilitation and conversion which constitute over 17% of our total permanently financed units.

Let us turn now from Section 8, HUD's newer program, to Section 236, its initial subsidy partnership with the state agencies. Section 236 as originally enacted provided for two funding mechanism - projects with HFA-insured loans under Section 236(j) and uninsured projects financed primarily by state housing finance agencies authorized by Section 236(b). In Section 201 of the proposed Housing and Community Development Amendments of 1978, HUD seeks to institute a new program called the Troubled Project Operating Subsidy Program. The impelling force for this program is obvious - inflation. As you are aware, inflation has increased taxes, utility costs and operating expenses which Section 236 owners must pay to a far greater extent than tenants' rent-paying ability has increased. As a result, tenants in Section 236 projects often pay more than 40% of their income for rent. In the alternative, tenants can't afford the rent at all, causing vacancies and ultimately defaults.

In its proposed Troubled Project Operating Subsidy program, HUD seeks to protect only one type of Section 236 projects, those insured under Section 236(j) and other FHA programs; the Administration's proposal would not make this subsidy available to the other class of Section 236 projects, namely those developments funded by state housing finance agencies under Section 236(b). We have extreme difficulty understanding the rationale for this distinction. The owners of state-financed Section 236(b) projects are subject to the same inflationary forces as those owning projects that are federally insured under Section 236(j). The tenants in state projects deserve the same assistance as do the tenants in a federally -insured project. It makes no sense to have two Section 236 projects in a community - a state agency project subsidized under Section 236(b) and an FHA insured under Section 236(j) with the subsection b tenants paying twice as much rent as the subsection j tenants. We doubt that Congress ever intended that subsection lettering within Section 236 of the National Housing Act produce such bizarre discrepencies.

For example, the present operating subsidy in Section 236(f)(3) makes no such distinction, referring to "each" Section 236 project. HUD has recognized that, under present law, both "b" and "j" projects should receive the same operating subsidy. In its proposed legislation, HUD would confiscate funds in the Section 236(g) reserve that can now be used for state-aided "b" projects to fund its new program from which the "b" projects are excluded. Of the approximately 560,000 units assisted under Section 236, 114,000 were funded by state housing finance agencies. We have not yet taken a survey as to the extent of need for operating subsidy in these state agency Section 236 projects, but we will have these figures available when the Appropriations bill is marked up.

Again, thank you, Mr. Chairman and Committee Members, for the time you have given us to hear our message on the need for adequate funding for Section 8 in 1979 and for equal funding under the Section 236 Troubled Project Program.

I would be pleased to answer any questions you may have.

Mr. BOLAND. Thank you very much, Mr. Eller.

I just want to compliment you on your work with the Massachusetts Housing Finance Agency. It is a good agency.

We had the former executive director who served for some eight years before us last week in justification of his new position with the Community Development Corporation.

I indicated at that time the experience that he gained as executive director would serve immeasurably in his new capacity.

In any event, your statement does raise some questions that we will propound, particularly with reference to the 236 program and the various sections dealing therewith.

I regret that I was not here when you first came in. I had another Committee meeting that I had to go to. I appreciate your appearance here today.

Mr. ELLER. Mr. Chairman, thank you very much.

SECTION 202 AND SECTION 8

WITNESSES

HON. SILVIO O. CONTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

EDWARD CARMAN, PRESIDENT, BERKSHIRE HOUSING DEVELOPMENT CORPORATION OF PITTSFIELD

Mr. TRAXLER. Thank you very much. We are pleased now to welcome the Honorable Silvio O. Conte.

Mr. CONTE. I would like to express my pleasure to be able to present today Edward Carman, President of the Berkshire Housing Development Corporation of Pittsfield, my home town.

This is a nonprofit, public interest development company formed in 1971 by a consortium of local banks, businesses, churches, public agencies, and Williams College.

I have known Ted Carman for a number of years, and I am proud to associate myself with the fine work his organization has been doing to make decent housing available at a moderate cost to low-income persons in Berkshire County. I am particularly pleased with two of the projects which have involved the rehabilitation of historic structures in the heart of the community. As members of the Subcommittee well know, much has been written in recent years about the benefits of structural preservation and building reuse in our downtown areas. First, with a 90-unit rehab project in downtown Pittsfield and more recently with initiation of work to convert and restore a downtown hotel into forty units of elderly housing, they have put the verbal commitment to structural reuse into action while providing badly needed, affordable housing for the elderly.

This conversion of an old hotel into 40 apartments for the elderly is being undertaken with funds made available under the section 202 program.

In view of the track record of the Berkshire Housing Development Corporation which incidentally also operates a housing agency and manages a number of section 8 units on behalf of the Massachusetts Department of Community Affairs, I am sure members of this subcommittee can understand the dismay I felt upon learning that the sponsor eligibility restrictions imposed on the Section 202 program by certain appropriations language will effectively prevent Berkshire Housing Development Corporation from further participation in Section 202.

I believe the example provided by the Berkshire Housing Development Corporation gives us good reason to reexamine these restrictions.

I thank you in advance for the attention you are giving Mr. Carman.

Mr. TRAXLER. Mr. Carman, would you proceed?

Mr. CARMAN. Thank you very much.

Mr. TRAXLER. Your testimony will be made a part of the record.

[The complete statement follows:]

TESTIMONY OF EDWARD C. CARMAN, JR., PRESIDENT, BERKSHIRE HOUSING DEVELOPMENT CORPORATION ON BEHALF OF THE NATIONAL LEASED HOUSING ASSOCIATION

My name is Edward C. Carman. I am President of the Berkshire Housing Development Corporation of Pittsfield, Massachusetts and I am also a member of the Non-Profit Committee of the National Leased Housing Association on whose behalf I am testifying today.

By way of background, the National Leased Housing Association is composed of over 650 organizations involved in some facet of the Section 8 program. We number among our members local housing authorities, state housing finance agencies, non-profit developers, profit motivated developers, investment bankers, mortgage bankers, and professionals who are involved in the Section 8 program. We believe that our diversity of membership is unique among all housing organizations as is our concentration on only one program—the Section 8 Leased Housing Assistance Program.

Berkshire Housing Development Corporation is a non-profit public interest development company which was formed in 1971. It is backed by a consortium of banks, businesses, churches, Williams College, public agencies, and community groups. We do housing development, consulting and management work. Berkshire Housing has a 202 project under construction as a non-profit sponsor, has in the past successfully developed a FHA 236 elderly project using a limited dividend entity, and operates a public housing authority in Adams, Massachusetts. We therefore have experience in each of the areas on which testimony is being offered.

I am here today to urge this Committee to act on two specific concerns: first; to remove the present restrictions against limited dividends and public housing agencies as sponsors under the Section 202 program; and second, to provide a supplemental FY 78 authorization of $195,000,000 of contract authority for the Section 8 new and substantial rehabilitation program and to support the Administration's FY '79 request.

SECTION 202 PROGRAM

Under Section 202, non-profits, limited dividend entities and public housing agencies are eligible sponsors. However, each year, by appropriations act language, participation has been limited to non-profit entities receiving 100% financing under section 202. The National Leased Housing Association urges that this restriction be eliminated to permit sponsorship of a Section 202 project by a limited dividend entity or a public housing agency as well as by nonprofits. Broadening the category of sponsors will mean better housing sooner for the beneficiaries of the program and also provide new opportunities for non-profit entities to enhance their participation in the program.

There are many reasons why the present restriction against limited dividend and public housing agency participation should be removed:

First, the elderly and handicapped beneficiaries of the Section 202 program should have the benefit of the best possible owner in a given situation. In many communities, this means non-profit sponsors, many of whom have long and distinguished records in providing housing for the elderly and handicapped. In other areas, there are able and experienced local housing authorities or other public bodies who would prove to be ideal Section 202 sponsors. In some cities, an experienced limited dividends entity might be the best sponsor, for instance it might have control over the best site for an elderly project. In some localities, qualified non-profit sponsors just may not exist, thus precluding Section 202 in such cases, and depending on HUD's overall funding pattern, elderly housing entirely.

Accordingly, our proposal would allow HUD to select Section 202 projects on the basis of site, project design, project management, etc.—and not merely on the criteria of sponsor alone. Better 202 projects more nearly targeted to the needs of each community have to be the result.

Secondly, opening up the program to limited dividend entities would permit non-profits to combine with profit motivated developers to form limited partner-

ships to own the projects. This combination is quite frequent under other federal programs but is now precluded by the exclusion of limited dividend projects. Many federal and state housing projects began with non-profit sponsors and are now being "converted" to limited dividend sponsorship. Such arrangements take many forms; in some cases, the profit motivated entity serves as a co-general partner along with the non-profit entity; together they sell limited partnership interests in the project to outside investors and divide the proceeds of sale. In other cases, the non-profit's share of the sales proceeds varies by project; however, it is not unusual for a non-profit to receive from 2–3% of the mortgage, e.g. $60,000 to $90,000 on a project with a $3,000,000 mortgage. Sometimes the non-profit becomes the project manager and/or receives fees for various services rendered through the project's life. The parties also agree as to who will receive what on the sale or refinancing of the project—the residual valhe.

This arrangement is highly advantageous to the non-profit by producing needed cash for the many expenses involved in planning and operating a low and moderate income housing project. Often, non-profits need such seed money in excess of that available through Section 106 loans. Further the non-profit might desire facilities included in the project that are not financable out of the Section 202 loan; its share of equity proceeds could be employed for such uses. Finally, part of the proceeds could be used as an equity escrow to fund increased operating expenses in the early years of the project.

The National Leased Housing Association includes in its membership non-profit Section 202 sponsors who strongly favor the proposed change which would permit them to combine with profit motivated entities in a limited dividend venture. Berkshire Housing is one such non-profit. We have developed projects both with a non-profit entity and with a limited dividend entity. Berkshire Housing, although experienced and successful, cannot afford to do another 202 project under the present legislation. We have stayed in business, and have been able to continue public interest development and consulting work as a direct result of the earlier limited dividend project we developed in 1972–73. Non-profit sponsors can operate with limited dividend organizations without losing operational control of the projects.

Third, the expertise of the private sector and experienced public sponsors could result in faster starts for Section 202 projects. Many strong supports of elderly housing are concerned about the slow start of Section 202. It is interesting to note that according to figures contained in HUD's Fiscal 1979 budget book, as of September 30, 1976 there were 212,285 reservations for Section 8 new or substantially rehabilitated units not under Section 202; one year later 106,306 of these units were under construction, or virtually 50%. The comparative figures for Section 202 offers a striking contrast. On September 30, 1976, there were reservations outstanding for 29,857 Section 202 units; one year later 3,414 were started, or approximately 12%.

Fourth, allowing limited dividend sponsors to participate in Section 202 could provide HUD with a ready tool to get more family housing built. In the past, several state HFAs were able to induce developers to build family housing in a community by offering a package which included an elderly project as well. To obtain the desired elderly project, developers had to build the family. Now state agencies have virtually no elderly units to award and thus are no longer able to use this leverage. However, HUD could employ this technique if it could award Section 202 projects to limited profit sponsors who would agree to build family housing within a community.

Fifth, at a time when Section 8 set-asides have become most unpopular, it would be an unwise policy to continue the present restriction, as it is a set-aside of the worse sort absolutely excluding others from participating in the Section 202 programs. To the extent that Section 202 accounts for most of the elderly housing being funded now, this restriction effectively excludes limited dividend and PHA sponsors from any elderly housing at all. It certainly weakens HUD's strong posture against set-asides elsewhere if the Department countenances this set-aside in the Section 202 program.

PROPER FUNDING FOR SECTION 8

It is also necessary to ensure that the proper funding is allocated for the Section 8 program through a supplemental appropriation for FY 1978 and concerning the FY 1979 Authorization.

We urge this Committee to approve a supplemental authorization of $195,000,000 of contract authority for the Section 8 new and substantial rehabilitation

program—enough for approximately 50,000 units. The purpose of this supplemental appropriation would be to assure the funding of 400,000 subsidized housing units in FY '78 the amount sought in the Administration's original budget. Such supplemental appropriation is necessary because there are now virtually no new construction units available to be advertised by HUD field for competition by private developers. This has occurred primarily because of 1977 Congressional action reducing HUD's original budget request by over $72 million and its restricting $70 million which HUD sought for unrestricted Section 8 use to Section 8 projects owed by public housing agencies. These changes, as well as 54,000 unit allocation to Section 202 non-profit elderly projects of Section 8 funds, have resulted in no funds being available for use by the private development sector except those that are earmarked for state housing finance agencies.

Accordingly, the private development community in many jurisdictions faces a de facto moratorium regarding subsidized housing. It finds itself in the same stop and start situation which has been its story for the past ten years. If we are to keep the private sector in our present broad partnership for providing low and moderate income housing, there must be some assurance of funding from year to year. This is the underlying reason for the supplemental appropriation of contract authority sufficient for the 50,000 units. (As stated in its Fiscal 1979 budget request, the Department now has $6.4 billion of budget authority which could be used to match the contract authority here sought; of course, such budget authority would not then be available for Fiscal 1979).

The supplemental appropriation is essential for many other reasons:

1. We are still far from meeting our ten year housing goals as established in the Housing and Urban Development Act of 1968. That act sets forth a goal of 600,000 subsidized units a year. If the supplemental appropriation is adopted, there would be less than 400,000 units, leaving us far short of the annual goal.

2. New or rehabilitated housing starts means construction jobs for what is still a depressed industry. It is estimated that every unit started means 1.5 man years of work.

3. Because Section 202 is meeting much of the elderly housing needs, units obtained under the supplemental appropriation would mostly be for families. All agree that family units are badly needed to enable us to meet the requirements for those units set forth in local Housing Assistance Plans.

4. The units are needed to provide housing opportunity choices throughout a metropolitan area. A key factor in the Administration's housing strategy is to provide opportunities for low and moderate income families to live throughout a metropolitan area. This can only be done if there are homes available throughout an area to house these people. Often, the existing stock of housing is not adequate to meet this dispersement goal.

We are sure that Congress in authorizing and appropriating funds for Section 8 in no way wanted to cut out private sector participation in the Section 8 program. This is exactly what is happening in many jurisdictions, especially those without state housing finance agencies.

The request is not an exorbitant one; it merely seeks the same number of units as did the Administration in its original fiscal year 1978 budget request.

Concerning fiscal year 1979, we wholeheartedly endorse the authorization request of the Administration for 344,000 Section 8 units, of which 180,000 will be new or substantially rehabilitated. Our only quarrel with this request is that it is not enough. Again, 400,000 units only brings us to two-thirds of our annual goal of 600,000 units. In an ideal world, we would be urging you to increase the Administration's request but we are aware of the budget restraints that impinge upon housing as well as any other type of federal spending.

We also urge your support for the shallow rehab version of the Section 8 existing unit program as proposed by the Administration. The existing unit phase of Section 8 has proven tc be a real success, affording the opportunity to house many low income people at a very fast pace at a relatively low cost. However, there are units that would be ideal for the existing program but which do not meet HUD's quality standards. With a relatively small infusion of funds, these units could be brought up to decent, safe and sanitary condition. The additional rents allowed under the existing unit program would permit landlords to make such expenditures, thereby increasing housing stock available for the program. We urge the Committee to adopt the necessary enabling legislation.

To conclude, we believe that Section 8 has proven to be the optimum subsidy program for new, substantially rehabilitated, and existing units. The time has come at last to stop thinking about new programs or major legislative changes

and to fund adequately the workable program that we now have. Meanwhile, the National Leased Housing Association will keep vigilant to assure that the program remains workable and continue to make suggestions to Congress and to HUD as to necessary changes to make it work even better.

Thank you very much for your time today.

Mr. CARMAN. I will speak extemporaneously, rather than reading through.

Mr. TRAXLER. Please.

Mr. CARMAN. I am here representing the National Leased Housing Association, which is an organization that has 650 members of all different types, all involved in the section 8 program in one way or the other.

Secondly, I am here on behalf of Berkshire Housing Development Corporation to pass onto you our experience in the section 202 program. There are two issues that I would like to address. One is that we would urge the sponsorship qualifications for the section 202 program be expanded to include limited dividend sponsors and public housing interests.

Secondly, I would like to speak in support of the supplemental appropriations and the FY 1979 appropriations which are under consideration. There are a number of reasons why we think that the sponsorship should be broadened. We think in many cases this will result in better projects and, most importantly, better targeting of the areas and communities that need the housing. We feel that this approach will also make some projects feasible which would not otherwise be feasible.

Secondly, that they will provide additional dollars for improvements, that it will speed up the delivery of the projects in many cases, and furthermore we feel that this can be done without losing the public interest, nonprofit motive of the sponsors and the organizers.

I would like to dramatize this by explaining what's involved in developing one of the projects.

In order to close the projects, the sponsor must provide a half a percent as an upfront escrow payment, plus an escrow for the furnishings and equipment. This amounts to approximately 1 percent of the mortgage and means for a 100-unit project, the sponsor has to come up with approximately $30,000.

Furthermore, the sponsor has to provide a great deal of time and effort and know-how just in getting through the process of developing the project.

HUD does allow for consultants, but in many cases the consultant effort is not nearly the same as would be provided by a limited dividend sponsor and even a public housing agency sponsor.

For example, from September of 1976 to September of 1977, 12 percent of 202 projects were put under construction that were committed at the beginning of that time.

Mr. BOLAND. You know, with the proviso of nonprofit, there is no dearth of nonprofit sponsors in this program.

Mr. CARMAN. I think our point to that is this: because the sponsors are required to put up what amounts to 1 percent, plus a lot of time, the sponsors coming forward are well-organized, well-funded churches and fraternal organizations. In places like Adams, Massachusetts——

Mr. BOLAND. That isn't necessarily so. I can point to a sponsor in my hometown that doesn't have the kind of well-funded sponsors that you have access to. That isn't so in every instance at all. I would think that your sort of organization could build a track record here and make it possible to raise those funds.

Mr. CARMAN. The problem is we would have to go out and raise the funds.

Mr. BOLAND. Sure you would, but that's what the nonprofit sponsors are doing at this moment. This proviso has been in the appropriations bill for at least three years.

Mr. CARMAN. Right.

Mr. BOLAND. No one seemed to have any objection to it until this year.

Mr. CARMAN. I think it would be interesting to find out where the projects are being actually built and which projects are being selected; and whether or not, in fact, the projects are getting into the communities where the people have the greatest need because I am not sure that is happening—from our point of view, we were set up to do nonprofit housing in Berkshire County. We can't afford to do this unless we can get grants.

It would take us months to raise $30,000 to put together one of these projects.

We would still not have enough money to cover the staff time it takes to do the project. We can't possibly do it.

You have effectively eliminated this kind of professionalism from the production of housing, in terms of the sponsoring organizations. That's our real concern.

Mr. BOLAND. One of the reasons why this proviso was put in there was because nonprofit sponsors are the best operators of the programs. That's been the history of housing for the elderly for a great number of years. There's more attention paid to them than the local housing authorities. It might be that the dividend corporation could handle it just as well. I am not addressing myself to that. One of the reasons for putting this proviso in place was because it was the experience of this committee, and this committee is responsible for the limitation that's in the appropriation bill.

It is there because it was our feeling, based on experience that the nonprofit sponsors ran the programs better.

You look at it here in the city of Washington, D.C. particularly, and in other areas.

I am talking about the housing for the elderly.

Mr. CARMAN. Housing for the elderly from the point of view of a limited-dividend sponsorship, are not difficult to run, number one. Second, with the limited-dividend approach, the nonprofit sponsor could remain in control of the project, and will have additional funds that can be provided to the project.

I think that's our point. If they are doing a good job now, they can do a better job if it is limited in certain instances.

I think the other point that is important is that effectively all the elderly housing that is being built today is being built under the 202 program. Thus, the section 202 limitation to non-profit effectively excludes other parts of the housing delivery system that are in place, which have staffs, and which are able to do a good job, such as Berk-

shire Housing, such as some very good housing authorities that might well represent the best sponsor in a particular community.

As a matter of fact, in one community we worked out an arrangement with the Housing Authority where we are the sponsor, but we work closely with the Housing Authority because they have been trying for years to put the housing in place.

It seems to us that it would be more equitable to broaden the sponsorship so that HUD could make a qualitative judgment about the sponsor and its ability to do the job.

Berkshire Housing is the general partner in a 236 we put together. We are the general partner, the managing general partner. We completely control the project. We manage it.

We, as a result of syndicating the project through a limited dividend, had a substantial amount of additional money we could provide to the project over a period of time.

Mr. TRAXLER. Any questions? Larry?

Mr. COUGHLIN. No questions, Mr. Chairman.

Mr. CARMAN. I think—that's the fundamental issue that needs to be discussed.

Mr. BOLAND. How large is your 236 unit that you are managing now?

Mr. CARMAN. Ninety apartments. It is a $1.7 million mortgage.

Mr. BOLAND. That isn't many.

Mr. CARMAN. No, it isn't. The one we are doing in Adams is only 40 units. I think there are a lot of communities where 40 units is the appropriate number of units. It is impossible to deliver them under the program.

What you are asking somebody to do is spend months trying to raise $30,000 or $20,000; more months to put the deal together to do it. Particularly in a hard-pressed, poor community, you can't find people that have that kind of time and effort.

If the Committee could say that the public interest, the nonprofit involvement is essential, and could say that if there is going to be a limited-dividend organization, that the nonprofit has to be the controlling general partner, that can clearly be done.

You would have the control and the interest that you have found important, and I think has been important and at the same time would be providing that group with more dollars.

There are a couple of other minor points. There are technical points that make projects more feasible if it is limited dividends, because of the 90 percent mortgage instead of 100 percent mortgage.

In some cases, housing authorities can get tax exemptions which are not possible in Massachusetts unless you are a public agency. If you don't have to pay taxes, that's a very substantial amount. The rents can be lower.

Mr. BOLAND. But you get tax breaks, though, in Massachusetts?

Mr. CARMAN. That's a lot different than a tax exemption.

Mr. BOLAND. It's a pretty healthy thing for a project, though, You get under 121(a), and you are doing pretty well?

Mr. CARMAN. If we are still doing 40 units, we are paying $16,000. That's a fairly large amount. If it was a public housing project, the taxes might only be $5,000, which would mean the project was more feasible and more money could be raised where the rents could be lower.

Mr. BOLAND. I presume all that is ground into the rents.

Mr. CARMAN. It would—that would effectively reduce the federal subsidy.

I think in summary the point that I would like to make is that we feel it is not right to deprive small towns like Adams, which must exist all over the country, from this program. I think that's the effect of the program at the present time. We think in many cases having limited-dividend sponsors or public housing authorities as sponsors would make projects more feasible through the 90-percent mortgage instead of the 100; through the tax exemption, instead of paying property taxes.

We feel more money can be generated that can go into betterments. For example, clinics and so forth can be financed through the dollars available.

We think HUD will have more proposals to choose from, and can make better qualitative judgments about the sponsors than at the present time.

We think the units will go under construction faster. In many cases, we think they will be better because of the professionalism that can be applied to the projects.

I would like to conclude, if I could, by saying that the National Leased Housing Association strongly supports the supplemental appropriation for 50,000 new and rehab Setcion 8 units; that this would bring funding up to 400,000 units for this year. It would fund some private developer projects. It would provide construction jobs and family housing which we think is important.

We also support the Fiscal Year 1979 budget of the Administration. We feel it is not enough, but we support it.

We also strongly support the mix of new and rehab existing in the public housing that the Administration has proposed.

We also feel it is very important, speaking as the Association and Berkshire Housing, that the government make it possible for the private sector to continue to provide housing.

In many cases, the private sector does it more efficiently, better, and faster. By not providing enough Section 8 on a basis that you can plan on, it makes it very, very difficult for organizations to train staff and be in a position to do a good job when the money is available.

Thank you very much for allowing me to speak. I would be happy to answer any more questions you have.

Mr. BOLAND. Just let me ask this one question: Why isn't the Berkshire Housing Development Corporation a nonprofit organization?

Mr. CARMAN. We are.

Mr. BOLAND. Don't you apply as a nonprofit organization under the 202 housing for the elderly?

Mr. CARMAN. We applied and were granted them, and we are building two projects. We are losing our shirt. We cannot get back from the projects our staff costs—not only our staff costs, which is substantial for two years, but even any kind of compensation for the risk we have taken. We are doing two; we cannot do any more.

As a matter of fact, there's a regulation that says if you are a nonprofit sponsor, you can't be a consultant for the same projects. We can't even hire ourselves as consultant and get the consultant fee. It's a very difficult problem.

Mr. TRAXLER. There are others, of course, across the country in the same situation?

Mr. CARMAN. Absolutely.

Mr. TRAXLER. We appreciate your bringing that to our attention.

Mr. BOLAND. Thank you very much, Mr. Carman; thank you, Silvio.

HOUSING PROGRAMS

WITNESS

ROSALIE RIECHMAN, EXECUTIVE DIRECTOR, NATIONAL RURAL HOUSING COALITION

Mr. TRAXLER. Rosalie Riechman, executive director, National Rural Housing Coalition.

Mr. Alexander will be pleased to know you are here. We will make sure he gets a copy of your statement.

Ms. RIECHMAN. With me is Bob Raposa, a member of the Coalition.

The Coalition is a nonprofit nonpartisan organization incorporated in 1969. We are primarily concerned with provision of decent housig for low income people in rural America and because of this concern we are concerned with the programs and financing of HUD.

We are very concerned with the 1979 budget request from HUD. It has been, as we see it, inattentive to the rural housing needs. HUD, as you know, has more money for housing programs than any other Government agency. It is responsible to use this money for both urban and rural housing programs. Over half the country's substandard housing problems are in rural America. The worst concentations of water and sewer problems are in rural America. The elderly in this country face the most severe housing problems in rural America. Yet we believe the HUD budget request doesn't pay adequate respect to these very severe problems. We think there is little wisdom or foresight in ignoring these problems. As has been shown us, when housing conditions become intolerable in rural areas, its citizens eventually move to the cities and we have similar housing problems in the cities as a result.

We think HUD's urban initiatives are praiseworthy. We do believe similar rural initiatives are called for. We interpret the Congressional mandate of the Housing Act of 1974 that 20 to 25 percent of HUD's funds go to rural areas to mean that also a fair share of the initiatives should be rural initiatives.

With that I would like to say a word about three specific programs we are particularly concerned about.

The first is the public housing program. Secretary Harris in Congressional testimony before this Subcommittee has noted that the public housing program has been particularly successful in rural areas. This is because, in contrast to Section 8 programs, the public housing program provides guaranteed financing. This is particularly important in rural areas because it can make the difference between whether a program actually can work or can't work.

HUD has requested 50,000 units of public housing for the coming fiscal year.

We believe that 100,000—100,000 units is a more reasonable number.

With a set-aside for new construction in nonmetropolitan areas.

New construction is particularly necessary in rural areas because there just aren't sufficient units to do rehabilitation with, which means new construction is necessary if there is going to be public housing in rural areas.

Also the new construction, aside from being necessary for housing purposes, generates employment, which is also obviously necessary in rural areas.

I would like to say a word about the Community Development Block Grant Program. We think that this is a particularly important program because it gives small communities access to federal funds that they wouldn't ordinarily have.

For instance, in the first two years of the program, the funds were used primarily for water systems and sewer facilities. They were very, very badly called for. Last year, 4.4 dollars of CD Block Grant money was requested for every dollar available. We, therefore, urge that the maximum appropriation possible in relationship to the authorization figure be appropriated.

Finally, I would like to say a word about the 106(a) program. This program provides technical assistance and counseling to nonprofit and public bodies. The program hasn't been implemented in the past and no funds have been requested for the coming fiscal year.

However, HUD has in the past provided and still does counseling services under other programs: but these were demonstration projects. We believe HUD needs to provide ongoing counseling services. We believe that this is particularly important in the coming fiscal year because we are looking forward to the proposed new home ownership program being implemented. We think that, if this program is implemented, as we would like to see it, counseling funds are going to be badly needed.

We therefore recommend that the figure of $10 million be appropriated for the 106(a) program.

We appreciate the opportunity to testify before you.

We will be glad to answer any questions you might have.

[The complete statement follows:]

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Mr. Chairman, members of the Subcommittee, my name is Rosalie Riechman and I am Exectuive Director of the National Rural Housing Coalition. We appreciate the opportunity to testify on HUD appropriations. The Coalition is a nonprofit, nonpartisan organization incorporated in 1969. We are supported by dues and contributions from our membership of people and organizations from across the country who are concerned with the provision of decent housing for low-income people in rural America. The concern has led to our interest in the financing and programs of HUD.

We are concerned that the HUD budget request for FY 79 is markedly inattentive to the housing needs of rural America. HUD has more money for housing programs than any other government agency, and it is responsible to confront both urban and rural housing problems. Over half of our country's substandard housing is in rural areas. The worst concentrations of water and sewer problems are in rural areas. The elderly face the most severe housing problems in rural America. With all this, the crisis-like situation in rural America remains largely unaddressed by the present budget request. There is little wisdom or foresight in this approach. History has shown that rural problems are inseparable form urban problems because when life in rural areas becomes intolerable its citizens move to urban areas.

While the budget contains a number of initiatives for urban areas such as an enlarged Community Development Block Grant, a $95 million increase in the Section 312 Rehabilitation Loan Program, a sizable increase for the Urban Reinvestment Task Force, and a new Urban Extension Service - there are no equivilent initiatives for rural areas. An example of our concern is that the National Development Bank would be empowered to make loans outside of urban areas yet there is no one on its governing board from the Department of Agriculture. We recommend that the report language specify that the Department of Agriculture be represented on the Bank's board.

We believe that HUD's urban initiatives are praiseworthy and similar rural initiatives would be equally praiseworthy and called for. We interpret Congress' mandate in the Housing Act of 1974 that 20-25% of HUD funds go to rural areas to mean, by analogy, that a fair share of HUD's initiatives should be directed to rural housing problems.

We are additionally concerned by the fact that in presenting the budget, Secretary Harris spoke clearly of the need to "restore America's urban areas without sacrificing the needs of small cities and rural America." We find ourself supporting the words but not the Administration's budgetary interpretation of the words.

Our concern about this disparity is intensified because this is the first annual legislative program for HUD that has been put together exclusively by the Carter Administration.

TASK FORCE ON RURAL AND NON-METROPOLITAN AREAS

We are gratified that this task force has been put into motion. It is a grim commentary, though, that since Secretary Harris' confirmation the appointment of the Task Force stands in isolation as a gesture of support

for rural America. At this point the results of the gesture are unclear. The task force was given only 1 1/2 months to do its work. This was clearly an impossible charge and it has not yet issued a report.

We look forward to the possibility of the task force playing a significant role with HUD's housing programs in rural areas. In order to do this, we recommend that the task force be given a longer life and given a broader charge. This would be in accord with the Housing and Community Development Act which required HUD to do a study of small towns. HUD has not yet begun this study. We are concerned whether the study will be sufficient. If it is inadequate we hope the committee will address this problem.

PUBLIC HOUSING

The public housing program is included in the non-metropolitan areas obligation. In order to guarantee production in these areas, Congress appropriated an $18 million set-aside for new construction for FY 77 and 78.

HUD has requested 50,000 units of public housing for FY 79. We believe that figure is inadequate and we urge funds for 100,000 units with a set-aside for new construction in non-metropolitan areas. In addition to providing necessary housing, the units would also generate badly needed employment.

Secretary Harris had noted in Congressional testimony before the House HUD Subcommittee of Appropriations on 4/4/78 that public housing has been particularly successful in rural areas. The program's importance to rural areas stems from the fact that it guarantees financing while Section 8 does not. Guaranteed financing in rural areas often makes the difference between whether a program can or cannot work.

SECTION 8 SET-ASIDE FOR FmHA SECTION 515 PROGRAM

The Section 8 Set-Aside for FmHA Section 515 program is invaluable even though it has a number of problems such as the approval process, monitoring, and whether the units should be for families or the elderly.

The FmHA Rural Rental Assistance Program which has only 5000 new units and 10,000 existing units is inadequate to replace the 8/515 program. Section 8 has provided 10,000 units yearly and we believe the combined 15,000 units yearly are necessary at a minimum. Additionally, Section 8 is more flexible than the rural rental assitance program which can provide for no more than 20% of the nonelderly, nonfarmworker families without a special waiver.

The Set-Aside has made it possible for HUD to meet its congressional mandate to place 20-25% of its funds into non-metropolitan areas. The 10,000 units that were made available to FmHA in FY 77 were fully used and there is every indication that the 10,000 units for FY 78 will also be fully used. In fact each of 31 states got less than 100 units despite demonstrated need in those states. The previous years demands demonstrate that a substantial amount above 10,000 is called for FY 79. Although HUD has not specified in its budget request that the program will be

continued- it is anticipated that it will. We strongly encourage its continuance and encourage that the committee report contain language that will support its continuance.

COMMUNITY DEVELOPMENT BLOCK GRANT

We believe that the CDBG program is important because it has given small communities access that they otherwise wouldn't have to federal funds. In the first two years of the program CDBG funds were used predominately for water systems and sewer facilities. We are, however, sensitive to the fact that the regulations are written in such a way that it is too often very difficult for small communities to make use of this access.

The final regulations for non-metropolitan discretionary funds were published 3/1/78. They said that a community of any population could seek comprehensive grants. Sixty-five to seventy-five percent of the funds would be used for comprehensive grants, and 25-35% for single purpose grants. Special waivers could be used for exceptions. The effect of this is to restrict more than before the funds abailable to small communities for single purpose grants. This is especially the case because the ranking priority for funding is determined by absolute numbers rather than percentages. A report by Rural America, a research and education group, points out that more than 2/3 of all municipalities and towns in non-metro areas failed to seek CDBG funds in the furst 2 years of the program. The study said, "Those with least resources are disadvantaged in learning about the program, in seeking assistance under it, in securing a grant, and in meeting all the program requirements when they are funded."

The study also pointed out that while 85% of the towns over 10,000 sought funding, only 25% of the towns under 2,500 were receiving funds.

Notwithstanding its problems we support the CDBG program to the extent that we believe that the authorization figure is too low. Before the CDBG pot is divided according to the 80/20 formula a number of set-asides are subtracted from the total amount. Last fiscal year 4.4 dollars were requested for every dollar that was available.

OPERATING SUBSIDIES

Operating subsidies make it possible for public housing to both maintain its low-income character and to preserve publically owned housing.

As operating costs have continued to escalate-especially in northern areas and in areas where taxes are rising - operating subsidies are becoming increasingly crucial.

We therefore recommend that $1 billion be appropriated for operating subsidies.

106a

This program which would provide seed money grants to non-profit sponsors has not been implemented. As a substitute, counselling assistance programs have been funded.

We believe that the substitute is inadequate especially since the counsel-

ling money went almost entirely to the SMSA's.

The FY 79 budget requests no 106(a) funds. We urge the appropriation of the maximum amount possible in accordance with the authorization figure.

We appreciate the opportunity to testify before the committee today and hope that our observations on HUD's budget request have been helpful.

Mr. TRAXLER. Thank you.

We notice you are requesting an increase in public housing for 1979 from 50,000 to 100,000 units. This Committee last year at least—the House last year increased public housing to 75,000 units. We took that increase from the Section 8 proposed recommendations. Would you support that kind of approach this year?

Mr. RAPOSA. Yes, because, first of all, the public housing program overall cost the Government less than Section 8; and with Section 8, we would have to come up with permanent financing in rural areas outside of the Farmers' Home 515 Program.

You don't have any permanent financing for Section 8.

We would support the shift from Section 8 to public housing.

Mr. COUGHLIN. I have no questions.

Mr. TRAXLER. Thank you for your presentation.

HOUSING PROGRAMS

WITNESS

HERMAN J. SMITH, NATIONAL ASSOCIATION OF HOME BUILDERS

J. Dennis O'Toole, staff vice-president, Legislative Council, National Association of Home Builders.

Mr. O'TOOLE. This is Mr. Smith. He's going to make the statement.

Mr. TRAXLER. You may proceed.

Mr. SMITH. Members of the Committee, I am glad to be with you today. I note you have the prepared statements. As previously mentioned, I will hit the highlights. If you have any questions, you may ask them.

I am Herman J. Smith. I am a home builder from Fort Worth, Texas. I am testifying on behalf of the more than 96,000 members of the National Association of Home Builders, the trade association of the nation's home building industry, of which I am vice-president and secretary. Accompanying me today are J. Dennis O'Toole, NAHB's legislative counsel and staff vice-president, and Gary Paul Kane, associate legislative counsel.

The Department of Housing and Urban Development is the Executive Branch department charged with the responsibility for the direction and coordination of our national efforts to provide decent housing and livable communities to all Americans. Therefore, we endorse HUD's budget authority request of $33.3 billion for 1979, and we are especially pleased that $33.2 billion of these funds will be directed toward the Department's housing programs. We must admit to you, however, that we believe that our nationwide need for housing and community development exceeds HUD's request for 1979, but NAHB recognizes that there is only a limited amount of federal budget authority to be divided among many beneficial programs. Nevertheless, we believe that our national commitment to housing is somewhat distorted by the unrealistic formula used in the calculation of budget authority for our housing programs, which is based on excessive runout costs assumptions.

Let me briefly comment on the Department's specific funding requests for 1979 for housing activities.

The national housing situation has become complicated in recent years by inflation pushing up mortgage interest rates and construction costs, along with real estate and other taxes and utility costs, beyond

a corresponding increase in family income. Thus the problem of providing housing affordable to millions of low and moderate income families has escalated into the complex question of providing housing to a whole range of middle-income families unable to afford the median priced new home.

Section 8. We support HUD's request for 400,000 additional unit reservations in 1979 for both the Section 8 and public housing programs, almost half of which is for new construction or substantial rehabilitation.

We concur with Secretary Harris's recommendation that no set-asides be made in 1979 for state housing finance agencies or the Section 202 program. We would prefer that no set-asides be provided for in legislation at all.

NAHB supports the proposed increase in funding for the Section 202 program to an estimate of 25,000 units for Fiscal Year 1979. There are communities and towns throughout the country where the Section 202 program could be of substantial benefit but which are without the assistance of a nonprofit organization familiar with housing. The expansion of the program to include limited dividend entities would permit Section 202 housing in areas not otherwise served.

I might add in the Southwest we have many smaller communities that limited dividend sponsorship could easily work where they build and lease to nonprofits in the area. But because of the availability of in-house payments, they could move forward with a limited dividend program.

Under management, we believe that HUD deserves credit for addressing squarely the tough issue of dealing with those HUD-insured multifamily projects that are having financial difficulty. Section 221 (d) (3) and 236 projects have been particularly vulnerable to such difficulties because of increases in operating expenses, due primarily to higher property taxes and utility expenses.

We note that HUD estimates 50,000 unit reservations under the Section 235 home ownership program in 1979. This will not require approval of new contract authority. While the level of starts under this program has not achieved a mark we expect, NAHB supports this program as probably the best tool HUD possesses for extending the benefits of home ownership to moderate income families.

We support the Secretary's request for the release of $2 billion of Special Assistance Tandem funds in 1978 as well as in 1979. We cannot too strongly emphasize the need for these funds not only to support the Section 8 housing program, but also to stimulate the production of badly needed rental units for moderate income families.

NAHB is disappointed that HUD's budget requests do not contain a recommendation for the release of the $5 billion of mortgage purchase authority that is available under the Emergency Home Purchase Assistance Act of 1974, the so-called Brooke-Cranston Program. There remains a need for reasonably priced mortgage funds for conventionally financed multifamily projects, and there is a contingent need by home buyers for ready access to GNMA for the purchase of conventional single-family mortgages. The classic symptoms of a tightening credit market are apparent now—and we have seen this coming for the last few months—and thus we recommend that $3 billion be made available for multifamily projects in 1979, and that $2 billion be made available on a standby basis to provide financing

for single family houses. (See Attachment C, which is a resolution adopted by our board of directors at their annual meeting in January.)

It may seem strange in light of the successful year in home building in 1977 that we are urging that you make available 7½ percent interest rate financing now. However, as you are keenly aware, the housing industry is one of peaks and troughs, and, if the signs of tightening credit continue, additional mortgage financing at a 7½ percent rate may be necessary even before the end of this fiscal year.

Although NAHB has been associated in the past primarily with new construction and large-scale rehabilitation, our membership is becoming increasingly aware of the necessity for and the benefits arising from the preservation and upgrading of property in cities and neighborhoods. One of the most important tools in this area has been the Section 312 rehabilitation program, and NAHB supports HUD's request in 1979 for $95 million in program funding. We also support in the area of community study and research HUD's request for an appropriation of $57 million for the Section 701 program.

Overlooked in HUD's budget proposal is any request for the release of the $2 million of funds authorized for the National Institute of Building Sciences. We support release of this money with the belief that NIBS can perform a responsible role in assisting our industry develop new construction technologies and in working with local governmental entities for the necessary changes in their building codes.

We find now in the area of insulation and energy, NIBS could be a big help in the area of updated technologies and studies.

On staffing, in our comments last year on HUD's level of staffing, we expressed our fervent hope that Secretary Harris and her new associates would be able to revive HUD from its moribund state. We have seen some definite improvement in the Department's attitude toward the production of housing during the past year. However, much more remains to be done in this area. One of the major complaints among builders throughout the country is the inordinate delay in processing any type of FHA insurance application.

We note that HUD's staffing request for an additional 1410 permanent positions contemplates that 883 positions will be used for housing-related activities. Thus we support HUD's 1979 staffing request for 17,400 permanent full-time personnel.

We appreciate the opportunity to appear before you today, and we will be pleased to respond to any questions that you might have.

[The complete statement and attachments follow:]

STATEMENT OF THE NATIONAL ASSOCIATION OF HOME BUILDERS ON BUDGET REQUEST OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR FISCAL YEAR 1979, APRIL 11, 1979

Mr. Chairman and Members of the Committee, my name is Herman J. Smith and I am a home builder from Fort Worth, Texas. I am testifying on behalf of the more than 96,000 members of the National Association of Home Builders, the trade association of the nation's home building industry, of which I am Vice President and Secretary. Accompanying me today are J. Denis O'Toole, NAHB's Legislative Counsel and Staff Vice President, and Gary Paul Kane, Associate Legislative Counsel.

The Department of Housing and Urban Development is the executive branch department charged with the responsibility for the direction and coordination of our national effort to provide decent housing and liveable communities to all

Americans. As such, the policies of HUD have significant impact on the home building industry. Therefore, we endorse HUD's budget authority request of $33.3 billion for 1979, and we are especially pleased that $33.2 billion of these funds will be directed toward the Department's housing programs. We must admit to you, however, that we believe that our nationwide need for housing and community development exceeds HUD's request for 1979, but NAHB recognizes that there is only a limited amount of Federal budget authority to be divided among many beneficial programs. Nevertheless, we believe that our national commitment to housing is somewhat distorted by the unrealistic formula used in the calculation of budget authority for our housing programs, which is based on excessive runout costs assumptions.

Let me briefly comment on the Department's specific funding requests for 1979 for housing activities.

The national housing situation has become complicated in recent years by inflation pushing up mortgage interest rates and construction costs, along with real estate and other taxes and utility costs, beyond a corresponding increase in family income. Thus, the problem of providing housing affordable to millions of low and moderate income families, has escalated into the complex question of providing housing to a whole range of middle-income families unable to afford the median priced new home.

SECTION 8

To deal with the housing needs of lower income families, we support HUD's request for 400,000 additional unit reservations in 1979 for both the Section 8 and public housing programs, almost half of which is for new construction or substantial rehabilitation.

We concur with Secretary Harris' recommendation that no set-asides be made in 1979 for state housing finance agencies or the Section 202 program. We would prefer that no set-asides be provided for in legislation at all. Because of such set-asides, together with the 1977 Congressional action reducing HUD's original budget request by over $72 million and its restricting $70 million to Section 8 projects owned by public housing agencies, there is virtually no contract authority available for distribution to the HUD field offices this year for use by private builders. Therefore, we urge that all contract authority be held available for distribution through HUD field offices with maximum discretion given the Secretary.

SECTION 202

NAHB supports the proposed increase in funding for the Section 202 program to an estimate of 25,000 units for Fiscal Year 1979. The 202 program has been shown as an effective way of providing high quality housing for elderly and handicapped citizens. However, we urge this Subcommittee to remove the rider which limits sponsorship of Section 202 projects to non-profit organizations. We believe that there are many outstanding non-profit organizations throughout the country which have done a fine job in providing housing for elderly and handicapped people under Section 202. But, there are communities and towns throughout the country where the Section 202 program could be of substantial benefit but which are without the assistance of a non-profit organization familiar with housing. The expansion of the program to include limited dividend entities would permit Section 202 housing in areas not otherwise served. (See Attachment A, which is a Resolution adopted by our Board of Directors at their annual meeting in January.)

HOUSING MANAGEMENT

We believe that HUD deserves credit for addressing squarely the tough issue of dealing with those HUD insured multifamily projects that are having financial difficulty. Sections 221(d)(3) and 236 projects have been particularly vulnerable to such difficulties because of increases in operating expenses, due primarily to higher property taxes and utility expenses. We support HUD's proposals for dealing with the problem, which first includes a request for $24.3 million of supplemental authority for 1978, which is expected to provide funds for the payment of rent increases for 81,000 rent supplement units in 1978. Second, we support the use of existing Section 236 contract authority totalling $25.7 million to provide "deep subsidy" for Section 236 contract amendments in 1978 and 1979. Third, we support HUD's request for an appropriation of $74 million for 1979 in order to implement the new Troubled Projects Operating Subsidy Program which will assist approximately 130,000 units. However, we feel that the Troubled

Projects Program is being funded by the Office of Management and Budget (OMB) at only a marginally acceptable level. (See Attachment B, which is a Resolution adopted by our Board of Directors at their annual meeting in January.)

SECTION 235

We note that HUD estimates 50,000 unit reservations under the Section 235 homeownership program in 1979. This will not require approval of any new contract authority. While the level of starts under this program has not achieved the mark we expect, NAHB supports this program as probably the best tool HUD possesses for extending the benefits of homeownership to moderate income families. To make the program even more viable, we urge HUD to consider reducing the interest rate to broaden the range of lower income families served by the program. Also, we urge this Subcommittee to act favorably on HUD's request for $8 million for housing counseling assistance funds; but, we recommend that this program be expanded to provide counseling for prospective low-income homeowners under the Section 235 program.

TANDEM

We support the Secretary's request for the release of $2 billion of Special Assistance Tandem funds in 1978 as well as in 1979. We cannot too strongly emphasize the need for these funds not only to support the Section 8 housing program, but also to stimulate the production of badly needed rental units for moderate income families.

NAHB is disappointed that HUD's budget requests do not contain a recommendation for the release of the $5 billion of mortgage purchase authority that is available under the Emergency Home Purchase Assistance Act of 1974, the so-called Brooke-Cranston Program. There remains a need for reasonably priced mortgage funds for conventionally financed multifamily projects, and there is a contingent need by home buyers for ready access to GNMA for the purchase of conventional single-family mortgages. The classic symptoms of a tightening credit market are apparent now, and thus we recommend that $3 billion be made available for multifamily projects in FY 1979, and that $2 billion be made available on a standby basis to provide financing for single family houses. (See Attachment C, which is a Resolution adopted by our Board of Directors at their annual meeting in January.)

It may seem strange in light of the successful year in home building in 1977 that we are urging that you make available 7½% interest rate financing now. However, as you are keenly aware, the housing industry is one of peaks and troughs and, if the signs of tightening credit continue, additional mortgage financing at a 7½% rate may be necessary even before the end of *this* fiscal year.

COMMUNITY DEVELOPENT AND RESEARCH

Although NAHB has been associated in the past primarily with new construction and large scale rehabilitation, our membership is becoming increasingly aware of the necessity for and the benefits arising from the preservation and upgrading of property in cities and neighborhoods. One of the most important tools in this area has been the Section 312 rehabilitation program, and NAHB supports HUD's request in 1979 for $95 million in program funding. We, also, support in the area of community study and research HUD's request for an appropriation of $57 million for the Section 701 program. In the general area of housing research and planning, HUD is involved in a number of important studies and economic analysis. We endorse the Department's request for $62 million in funds for this purpose in 1979.

Overlooked in HUD's budget proposal is any request for the release of the $2 million of funds authorized for the National Institute of Building Sciences. We support release of this money with the belief that NIBS can perform a responsible role in assisting our industry develop new construction technologies and in working with local governmental entities for the necessary changes in their building codes.

STAFFING

In our comments last year on HUD's level of staffing, we expressed our fervent hope that Secretary Harris and her new associates would be able to revive HUD from its moribund state. We have seen some definite improvement in the Department's attitude toward the production of housing during the past year.

However, much more remains to be done in this area. One of the major complaints among builders throughout the country is the inordinate delay in processing any type of FHA insurance application. We note that HUD's staffing request for an additional 1,410 permanent positions contemplates that 883 positions will be used for housing related activities. Thus, we support HUD's 1979 staffing request for 17,400 permanent full-time personnel. Our hope is that these additional employees will reduce the backlog of mortgage applications, and that HUD will be willing to allocate these individuals to some of the field offices in the southwest and west where population growth is shifting.

We appreciate the opportunity to appear before you today, and we will be pleased to respond to any questions that you might have.

PERMITTING LIMITED DIVIDEND SPONSORS FOR 202 ELDERLY PROJECTS

SPECIAL COMMITTEE ON ASSISTED HOUSING

DALLAS, TEX., *January 23, 1978.*

Whereas, recent reports completed for the Congress by its General Accounting Office have shown conclusively that the failure rate for non-profit sponsored housing projects exceeds by more than 300% that of limited dividend sponsors, and

Whereas, enabling legislation permits Section 202 projects for the elderly and handicapped to be sponsored by limited dividend sponsors as well as non-profit sponsors, and

Whereas, Appropriation Acts have restricted funding to non-profit sponsors,

Now, therefore, be it resolved, that NAHB urge the Congress and in particular its Appropriations Committees, to permit the sponsorship of 202 housing for elderly and handicapped families by limited dividend sponsors.

Approved by the Board of Directors.

ATTACHMENT B

ASSISTANCE FOR FHA INSURED MULTIFAMILY PROJECTS

SPECIAL COMMITTEE ON ASSISTED HOUSING

DALLAS, TEX., *January 23, 1978.*

Whereas, owners and developers of 236 multifamily projects, 221(d)(3) market rate and 221(d)(3) below-market interest rate projects entered good faith agreements with the Department of Housing and Urban Development to provide rent supplement payments for low and moderate income families, and

Whereas, the Department of Housing and Urban Development has not funded approved rent increases or provided operating subsidies for these projects, and

Whereas, the financial well being of these projects has been jeopardized by governmental inaction and neglect, and

Whereas, these projects constitute a sizeable portion of this nation's scarcest resource—safe, decent, affordable shelter for needy families—and therefore must be safeguarded and preserved,

Now, therefore, be it resolved, that NAHB urge the Secretary of HUD to request from Congress special assistance in the form of operating subsidies for troubled projects, and

Be it further resolved, that NAHB urge the Secretary to request sufficient monies to implement the 236 operating subsidy provisions embodied in the Housing and Community Development Act of 1974 and supplemental appropriation to fund approved rent increases for 236 and 221(d)(3) Rent Supplement Projects.

Approved by the Board of Directors.

ATTACHMENT C

GNMA TANDEM PLAN

EXECUTIVE COMMITTEE

DALLAS, TEX., *January 23, 1978.*

Whereas, there is an unmet need to provide rental housing for low and moderate income families, and

Whereas, high mortgage interest rates are a major reason why it is infeasible to develop additional rental projects, and

Whereas, the GNMA Special Assistance program and the Brooke-Cranston program provide a means for stimulating the production of multi-family units.

Now, therefore, be it resolved, that the Secretary of HUD is commended for releasing the $2 billion in GNMA Special Assistance Funds that have been Congressionally authorized, and

Be it further resolved, that the Secretary of HUD be urged to release these funds without constraints as to the physical location of the projects receiving commitments under this program in order that the urgent need for low and moderate income rental housing might be met in all cities, and

Be it further resolved, that in recognition of the overwhelming need for an increased supply of rental units that the Congress be urged to authorize and appropriate additional funds for the Brooke-Cranston and GNMA Special Assistance programs.

Approved by the Board of Directors.

Mr. TRAXLER. We want to thank you for your well-stated comments. It is interesting in your 235 section, you point out something we have tried to communicate to HUD: that is the necessity of prepurchase counseling.

Larry?

Mr. COUGHLIN. Just as I understand it, one of your major concerns would be the release of the $5 billion under the Emergency Home Purchase Assistance Act of 1974. Am I correct in understanding there is almost 2 billion of that which would be available that has been recycled or reprogrammed?

Mr. O'TOOLE. There are two. One is under tandem. Then there are the Brooke-Cranston funds. The Secretary has asked money for 2 billion under special assistance. We endorse what she says. We go beyond what she has requested. There is authorized 10 billion. You have received five. We are asking for the other five to be released.

Mr. COUGHLIN. Two billion is already available; is that right?

Mr. O'TOOLE. Under special assistance, yes.

Mr. COUGHLIN. You feel we should have $3 billion on top of that $2 billion for a total of $5 billion?

Mr. O'TOOLE. That's right. We don't think the $2 billion HUD is asking for—actually, they are asking for $1½ billion for Section 8 backlogs and the other $½ billion would be targeted at tandem programs.

We really think under the Section 8 programs, that they could operate at that level of production, that you are going to need more tandem funds to make the projects feasible. Plus we have a major problem in this country with a very low rate of production. With interest rates being over nine percent, the only way you are going to get multifamily production is by having some sort of tandem program.

Mr. COUGHLIN. On the NIBS request, just to refresh my recollection, this requires that there are funds authorized and appropriated at this point in the game, but not released?

Mr. O'TOOLE. I think there were a million released last year.

Mr. TRAXLER. A million.

Mr. O'TOOLE. We are asking for $2 million more for this year.

Mr. TRAXLER. You want two more this year?

Mr. O'TOOLE. We pretty much endorse what NIBS is asking for.

Mr. SMITH. We think it serves a good purpose.

Mr. COUGHLIN. You think they are providing a useful service?

Mr. SMITH. Yes.

Mr. O'TOOLE. Back on the 235 counseling, we have tracked some of these older 235 projects. Although the funds were not available for it, we found where there were social activities in communities, where these services were performed, the repossession rate was considerably different in the 235 area. That money is very well spent.

Mr. TRAXLER. The Department tells us that they are not running a pilot program, but they do have a study under way to determine if what you have said is accurate or not.

Mr. SMITH. We have certain areas near the border where language barriers need to be crossed. We have some that never had a bank account in their life.

Mr. TRAXLER. On page 2 of your testimony there is an area this Committee has been keenly interested in: that is trying to accurately state and keep a scorecard on the projected run-off costs on our Section 8 housing.

We were instrumental in this Committee in convincing the Senate that that ought to be done. In your testimony you are concerned about distorted, unrealistic formulae used to calculate the budget authority in this program.

Elaborate a little bit on that. Are you afraid to tell the public what Section 8 is going to cost us over 30 to 40 years?

What are your feelings?

Mr. O'TOOLE. Our basic feeling in that area is, number one, when you look at the tremendous amount of new budget that HUD is asking for, it is weighted toward housing. I don't think we are afraid to make a disclosure of how much the program is going to cost. We think it's unfair to assume that nobody is going to pay any rent at all in these projects. There is going to be a high percentage of people paying.

We also think that at the end of most of these projects there is a replacement value. Most real estate has an appreciated value. There is a replacement cost for which these projects could be sold.

We just find a lot of problems in the way in which it is calculated. I am not sure that we can help you, though, and say that we know of a better way this can be done.

I suppose that there is somewhat a sense, Mr. Traxler, why is housing singled out? Are other programs calculated the same way?

Mr. TRAXLER. We have the same thing with destroyers and cruisers. If they get too expensive we can mothball them.

Mr. SMITH. You can't mothball houses.

Mr. TRAXLER. That's true. I don't know there is much resale value on a destroyer at the end of 20 years. Your point is well taken. I think there is room for discussion as to the value of a project at the end of 30 or 40 years.

We thank you, Mr. Smith.

Mr. SMITH. Thank you.

Mr. COUGHLIN. Thanks very much.

WITNESS

BART FRYE, VICE PRESIDENT, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. TRAXLER. Bart Frye, National Association of Housing and Redevelopment Officials.

We will make your statement a part of the record and welcome your comments.

Mr. FRYE. Thank you.

I am Bart Frye. I am here today as vice president of the National Association of Housing and Redevelopment Officials and also as executive director of the Portsmouth, Virginia Redevelopment and Housing Authority.

I am pleased to have this opportunity to speak with you today.

I would like to submit for the record the prepared text that you have before you and depart from that and speak about some key issues.

[The complete statement follows:]

Mr. Chairman and members of the subcommittee, I am D. Bart Frye, Jr., Vice President of NAHRO. I also serve as Executive Director of the Portsmouth, Virginia Redevelopment and Housing Authority. I am pleased to have this opportunity to appear before you this afternoon to present NAHRO's comments and recommendations on appropriations for housing and community development programs for fiscal year 1979. As always, our recommendations are based on the local administrative experience of our members over the past forty years.

In our opinion, the subcommittee's deliberations on funding levels for HUD programs for the upcoming fiscal year should give careful consideration to the policies and programs recently enunicated by the President in the proposed comprehensive national urban policy message. While we clearly recognize that many of the initiatives in the March 27 statement require further elaboration and that this subcommittee cannot provide funds in advance of legislative authorization, certain elements of the proposal are consistent with policies already recognized and endorsed by the Congress. For example, the Housing and Community Development Act of 1977 clearly focuses national urban policy in support of efforts to both conserve neighborhoods and communities and expand economic opportunities, principally for persons of low and moderate income. These two themes are carried forward and expanded upon in the President's statement. To the extent that funding increases are proposed for existing programs consistent with these policies, we urge the subcommittee not to delay consideration of these funding issues. Clearly, proposed new policies and program initiatives will require considerable scrutiny during congressional deliberations in the weeks and months ahead. Where policies exist and programs are in place, however, we can and must move forward now.

Community Development. The basic program of federal support to enable local governments to conserve, maintain and upgrade neighborhoods is the community development block grant program. As such, funding must be on an assured, equitable basis, and we strongly support the Administration's requests for full funding of authorized levels for the community development block grant program and the urban renewal completion fund in fiscal year 1979.

The goal of conserving our national resources carries with it the responsibility to see to it that those resources are effectively utilized. For this reason, NAHRO has continued over the past year its monitoring of local experience with the block grant program. Our third year study is recently completed and I would like to file a summary of its findings for the hearing record.

In general terms, our monitoring efforts continue to highlight the need for more basic programs, in addition to community development block grants, to enable local governments and businesses to invest in distressed or critical development areas. All communities need assistance in supporting and attracting long-term development and reinvestment through a variety of financing tools. This need has been recognized in the proposed urban policy through a variety of initiatives.

While we feel strongly that additional program tools are necessary to respond to these long-term financing requirements, the UDAG program enacted in 1977 is a step in the right direction. The urban policy message proposes to expand the funding level in fiscal year 1979 by $275 million to a level of $675 million. Given the initial demand for the program funds and the potential increase in the number of nonmetropolitan communities eligible under HUD distress criteria, we urge the subcommittee to approve an appropriation of the revised Administration request.

Finally, all our monitoring studies have highlighted the need for increased federal support for technical assistance designed to strengthen the ability of communities to both administer and implement programs. Such an effort is essential to the effective utilization of our community development resources. The 1977 Act made some initial inroads in this regard. We are supportive of the Administration's proposal to establish an Urban Extension Service and we feel that this new service should be focused on the improvement of HUD's major operating programs, (CD and housing). Such an effort must be effectively coordinated with other departmental technical assistance efforts. As under the community development program, a separate fund should be established for technical assistance and training in connection with the implementation of assisted housing programs.

Neighborhood Conservation and Housing Rehabilitation. Both the original proposed HUD budget proposal and the urban policy message give increased support and emphasis to neighborhood conservation and housing rehabilitation efforts. We are most encouraged by the expanded program level for Section 312 rehabilitation loans. In recent years, the Congress was instrumental in keeping this program operational despite the opposition of prior Administrations. This support was and continues to be based on the local popularity and successes of the Section 312 program, the overwhelming demand for rehabilitation of basically sound, existing housing and the resultant, minimal federal financial commitments required by the utilization of the direct loan mechanism. With the actions of the Congress to continue this program, local expectations and demands for funds have intensified as documented by recent rates of loan reservations. Local demand has also intensified as a result of the increase in the maximum loan limit mandated in the Housing and Community Development Act of 1977. Local capacity to utilize funds will increase in the near future with the expected issuance by HUD of new handbook procedures designed to delegate to local officials additional loan processing responsibilities.

While the potential annual demand for federally-assisted rehabilitation is substantially greater, we view the revised Administration request for Section 312 of $275 million as a welcomed recognition of this program's utility. We firmly believe that local governments clearly have the capacity to effectively commit loans in this amount. A significant portion of this additional loan authority can be utilized to aid the rehabilitation of smaller multi-family buildings. There is a serious lack of financing for such dwellings. Further, it is our hope that this subcommittee will support efforts to appropriate an additional amount of loan authority for the balance of the current fiscal year at a level sufficient to retain local administrative capacities and respond to loan applications already in process. For the remainder of this fiscal year, it is anticipated that only a minimum amount of this year's program level will be available for allocation while the demand and capacity to further utilize loan funds remains high. Without additional funds this year, we are once again faced with the stop and go funding pattern of previous years. As this subcommittee is well aware, such a funding pattern destroys local administrative capacity, subverts local developer interest and crushes the expectations of local residents desperately in need of assistance to bring their homes up to proper health and safety standards. Without a continuing level of assistance consistent with local needs, the ability to effectively implement these efforts locally is lost and the faith of citizens in their government is further brought into question.

The Administration's budget contains two new program resources in support of neighborhood conservation which we endorse if utilized in connection with a total community revitalization strategy. Both the Section 8 moderate rehabilitation program and targeted tandem assistance can address major gaps in current federal assistance. Viewed together, these new initiatives also respond to the diverse needs of different types of neighborhoods. If properly coordinated, assistance will be avail-

able to both avoid the displacement of lower income families and attract persons of middle income back into urban neighborhoods. These efforts can be further supported by targeted housing policies of new construction and substantial rehabilitation.

Finally, it is our hope that the emphasis in the urban policy message on improved program coordination will result in a more rational delivery of a variety of federal resources in support of neighborhood conservation. While the current Neighborhood Strategy Area program is an attempt to provide this coordination, the initial program requirements are complex and administratively cumbersome. We must find a way to coordinate programs, eliminate duplicative requirements, and reduce undue burdens on local capacities.

Housing Management. The proposed HUD budget for fiscal year 1979 fails to respond to the national responsibility to adequately maintain the large investment this country has already made in its existing public housing inventory, estimated at $19 billion. Consistent with the goal of conserving resources, we must maintain this huge investment. The current financial plight of many local housing authorities results from the combined circumstances of limited rents, escalating operating costs and the increased service needs of a lower income population. In our opinion, the proper protection of this investment on behalf of persons without suitable, viable shelter alternatives involves both management improvements, increased funding and broadened program authorities.

We are confused by HUD's recent statements proclaiming 1978 as the year of housing management in light of the proposed budget which shows an inadequate level of public housing operating subsidies a decrease in modernization funding, and no requests for or significant attention to the escalating needs for security, social services and deferred maintenance. There are vague references in the HUD budget to providing incentives for improved management, with which we are in agreement, pending further detail. Good management alone, however, cannot even begin to respond to the total need. This fact is clearly documented by the inadequacies of the performance funding system (PFS) formula. Developed as a means for determining operating subsidy levels for public housing agencies (PHA), it is calculated on a comparative estimate of the subsidy required to operate well managed units of similar size, location and characteristics. Yet, little if any provision is made for services and maintenance needs not apparent or significantly severe at the time of the initial base year used in calculating the subsidy. These conditions have now exacerbated to the point where continued deferral places the viability of the entire program in jeopardy. Given the inadequacies of PFS, we are further dismayed to see the Administration request a level of subsidy which we feel will not adequately address even the operating increases resulting from inflation and escalating utility costs. Based on the PFS formula, it is our understanding that the original estimate of HUD operating subsidy need for fiscal year 1979 was $765 million. The eventual budget request is $36 million lower (only a 4 percent increase over the current year level) and we ask this subcommittee to appropriate funds at the level of the original HUD estimate.

Of the level requested for operating subsidies, $12 million is reserved for an appeals fund to meet unforeseen operating requirements not addressed by the PFS formula in such areas as security, tenant services and maintenance. We have estimated, however, that the minimum amount needed for security alone is $50 million.

With respect to security, we again are asking for a small commitment to maintain an enormous investment. Additional funding is necessary to support security personnel, including the use of tenant patrols. Local police are generally not equipped to provide the intensive coverage required in public housing developments. PHAs are unable to obtain assured funding from local or other federal sources. We have recommended, therefore, that an appeals fund be established, but that such a fund in its initial

year emphasize the funding of security needs. We would recommend that this subcommittee appropriate at least $50 million for this fund in addition to the full funding requirements of PFS. This solution will not only provide both definition to the appeals fund and a focused response to security needs, but will also support direct job creating activities.

For social services, we recommend that the subcommittee direct HUD to explore and seek consistent, long-term arrangements to set aside or target funds for support services to families residing in public and other assisted housing. The goal of upward mobility and homeownership cannot be reached without these services. In the past, there have been a number of interagency agreements between HUD and HEW, but little has resulted. It is now time to move beyond coordination which exists solely on paper.

The effective linkage of services and shelter is of greatest importance when addressing the needs of lower-income, frail elderly and nonelderly, handicapped individuals. Congregate housing can provide a viable cost-effective alternative to the unnecessary institutionalization which often results when alternatives are not available. The provision of congregate housing facilities must be accompanied by an assured, continuing level of necessary residential services. At present, funding for these services is fragmented and inconsistent. In this regard we are pleased to support the Congregate Housing Services Act of 1978. This legislation, pending in both Houses, clearly establishes this necessary relationship between congregate housing and social services and, if enacted, we recommend an appropriation for fiscal year 1979 to implement this new authority.

The PFS response is inadequate in still another area. The operating subsidy level does not include provisions for funding deferred maintenance. The present backlog of $400 million in maintenance requirements results from short-falls in federal assistance dating back over several years. We recommend an annual appropriation of $20 million in contract authority over two years to address these needs.

With respect to public housing modernization, we urge the subcommittee to reject the decrease proposed by the Administration and to provide for a program level of at least $50 million. A 1976 survey of the backlog of modernization requirements projected a need for $1.6 billion in capital improvements. To eliminate this backlog in four years, $40 million in contract authority is required annually. This does not account for inflation increases since the survey. Further, such funding will not address new modernization requirements, the increasing need for energy retrofitting and any modernization necessary to comply with recent federal requirements concerning accessibility for handicapped persons.

Finally, the Administration's strategy for dealing with troubled projects is a welcome, although incomplete, response to the growing need to conserve our existing subsidized housing inventory for low and moderate income persons. We are in complete agreement that such a subsidy should be conditioned on effective management. We are concerned, however, that the level of subsidy proposed is insufficient and that the subsidy does not provide any relief to persons already paying substantial portions of income for rent. We urge the subcommittee to appropriate funds sufficient to equitably respond to this need. Further, since many of these troubled or acquired projects constitute blighting influences on neighborhoods undergoing or in need of conservation, the subsidy should be linked to efforts of modernization and rehabilitation. The allocation of subsidies should be closely coordinated with local officials through housing assistance plans.

Housing Production. Over the past year, the Administration has pursued a housing production policy which recognizes the social need for a continuing, sustained level of assistance in order to expand and upgrade the housing conditions of low and moderate income persons. Unlike prior years, the legitimate housing needs of lower income Americans are being pursued in a manner which is cognizant of, yet not solely dependent upon, economic policy decisionmaking. We strongly applaud this direction and are pleased to see it carried forward in the proposed budget for the upcoming fiscal year which projects a sustained level of reservations and an ambitious increase in assisted housing starts. We are particularly pleased by the budgets emphasis on turning reservations into starts through a coordinated housing program. The availability of $1.5 billion in GNMA tandem authority both this year and next for Section 8 assisted projects can be an effective marriage of financing support with subsidy assistance. This has been lacking during the initial years of Section 8 authorization.

NAHRO believes that our limited housing resources must be utilized in a flexible manner in order to address the full spectrum of housing need. While it is proper to seek a sustained level of production, we must not lose sight of the type and location of the housing being produced. Our programs must be cost-effective and encourage competition for the best proposals from a variety of sponsors. For the most part, these are decisions best left to local determination.

In this vein, I would like to bring to the subcommittee's attention a serious situation involving the system by which federal housing assistance funds are distributed across the country. As you know, housing assistance funds are initially assigned on a "fair share" basis by applying the formula set forth in Section 213 of the Housing and Community Development Act of 1974. Superimposed on this formula, however, are further legislative setasides for metropolitan and non-metropolitan areas, for new construction and rehabilitation, for State Housing Finance and Development Agencies, and for public housing agency-owned development. A still further layer of setasides is imposed administratively by the Department of Housing and Urban Development to achieve special goals of substantial rehabilitation, loan management for troubled projects, Housing Opportunity Plans (HOPS), and housing for handicapped persons. At the mandate of the Congress, housing allocations must also be responsive to housing assistance plans developed by local communities.

The result of these different methods of allocation is a confusing, ineffective, and often inequitable system which local and State housing agencies and private developers must use to gain access to federal housing funds. For example, in the initial allocations of housing assistance for all programs for fiscal year 1978 (released to the field on November 11, 1977) four of the 10 HUD Regions had no Section 8 new construction funds for State Housing Finance and Development Agencies, while seven of the 10 HUD Regions had no Section 8 funds allocated for public housing agency new construction. Private housing developer involvement is limited to housing developed by public housing agencies, under Section 202 or by Farmer's Home sponsors. There is almost no opportunity for them to develop or rehabilitate housing utilizing federal assistance. In addition, the allocations in some regions are so minimal that the likelihood of a sponsor receiving funds is very small. All of these factors contribute to making the competition for these limited funds an extremely frustrating process. Local communities are in a poor position to attempt to implement their housing assistance plans, while at the same time the capacity of hundreds of private sponsors, and public housing agencies to produce housing lies dormant.

Mr. Chairman, the present housing production and allocation systems raise complex issues which we hope the Congress will address in more detail later this year in connection with deliberations on the national housing goals. In the interim we take this opportunity to alert you to this growing problem and we would strongly urge the subcommittee to resist approving legislative setasides of housing authority for fiscal year 1979. By limiting local options, such setasides make it difficult to effectively link housing and development efforts. This is a crucial element of an urban policy of resource conservation. Any directions on housing allocations should be more properly addressed in report language. In this manner, the intent of Congress can be recorded and HUD will maintain the flexibility necessary to respond to the diversity of local need.

Such flexibility is impossible in the face of national policies which limit the ability of all potential housing sponsors to compete for housing assistance. The true test should be which proposal responds most comprehensively and effectively to the need. Specifically, the Congress must recognize the need for public agencies and limited dividend sponsors to participate in the Section 202 program in order to insure that a broader range of elderly housing needs are met. The appropriation for this program should not exclude this sponsorship as provided for in the authorizing legislation. We ask this subcommittee not to restrict this authority. At the very least, the subcommittee should not preclude eligibility by nonprofits which may be affilitated with, or an instrument of, a public agency. Further, it would seem highly desirable to allow nonprofits and public agencies to jointly undertake Section 202 projects, with particular emphasis on utilizing recognized PHA management expertise.

In order to effectively respond to diverse local needs, the current gaps in federal housing policy must be identified and addressed. NAHRO is particularly concerned over the lack of significant attention being focused on the needs of moderate income persons in urban areas. The targeted tandem program, while a welcomed response, is inadequate in light of the overwhelming need for additional subsidized and non-subsidized housing. As a beginning, existing programs, such as Section 236, should be reevaluated as a possible additional area of support. Similarly, the lack of attention to homeownership opportunities for low and moderate income families is of equal concern. While recent changes in Section 235 requirements may spur activity, we should not foreclose the opportunities previously available through other programs, including the public housing homeownership program.

Finally, if flexible and comprehensive housing programs are to succeed, HUD staff must be available in sufficient numbers and be adequately trained in order to evaluate local requests and respond effectively. At the same time, open competition for the best possible proposals requires necessary technical assistance to enable local public and private entities to effectively identify needs and utilize program resources. These limited investments in staff and training are integral to overall program success. In addition, we must improve the ability to both evaluate our existing programs and develop data and information to enable us to respond to new demands. Over the past year, HUD has made great progress in attempting to prioritize its research activities in accordance with the demands and priorities of the Department's major operating programs. We commend this effort and urge the subcommittee to give favorable consideration to the budget request submitted by the Administration for policy development and research activities.

Mr. Chairman, I appreciate this opportunity to appear before the subcommittee this afternoon. I will be pleased to respond to the subcommittees questions.

Mr. Frye. There are four basic areas I would like to talk with you a moment about, the first being the community development funding request for 1979. We would like to strongly support that request in the amount that the Administration has noted and ask you in view of the urban policy statement that the President has issued to consider acting in the upcoming fiscal year on the programs, the existing programs that the policy statement covered during this fiscal year, specifically with regard to the funding levels that he has requested.

We would like to direct your attention first to the area of the 312 Rehabilitation Loan Program, which has been very successful and for which a substantial increase in funding is requested; and second, in the area of the urban development action grants, which, in my opinion, represent a very significant and positive step towards help for the inner cities.

My city happens to have been selected in the first round of that competition; and as you are aware, the policy statement asks for significantly increased funding under the UDAG program.

NAHRO has compiled a report on that which we are submitting under separate cover to you.

In connection with the entire area of community development, I would like to direct specific attention to the Rehabilitation Loan Program. It has been one of HUD's most successful programs in our opinion. It has an extremely low default rate. It is a program that involves, as you are aware, payback of funds, as opposed to simply the granting of those funds, which will not be returned to the federal coffers.

We would like to commend the Administration on their request for the upcoming year of $125 million; but ask you to consider the fact that the cities are out of those funds at the present time.

We realize that the schedule for a supplemental request would be very tight but would ask that you give consideration at least to the earmarking or to the making available the funds—some of those funds during this year in view of the fact that we are out of money, at least some of those funds that would be included in the next year's appropriation.

We certainly sympathize with your budget pressures, but we would really respectfully request that some of those funds be made available now because of the fact that the off and on again funding of the Loan Rehabilitation Program causes significant problems at the local level.

I would be happy to answer questions about that, but I would like to make one specific case with regard to my city.

We have a substantial rehabilitation program under way that certainly involves a great deal of cost savings to our community, as opposed to urban renewal type or clearance type programs. It is very successful; but it is very discouraging to try to get individual homeowners to remain interested in the program on the basis that it has been operated in the past.

There have been just one series after another of funding turn-ons and turn-offs; and I think it is important that we point out that this is unlike our foreign property under a redevelopment type endeavor, where we have the power of imminent domain, the power to carry out that type of project. We are totally dependent upon the initiative of individuals to borrow money which they must pay back.

There is a great deal of psychology involved in that. It sort of catches on. When one house is rehabilitated, the one next door stands a much better chance of being rehabilitated because of the enthusiasm generated.

However, when the homeowners are met with discouraging news that they are going to have to wait, and they are trying to hold the contractors to prices that change monthly, we have a substantial amount of administrative costs involved in those loan applications, we implore your sympathies in terms of the funding cycle that we are faced with in the Rehabilitation Loan Program. In my city alone—and we are 110,000 people—we have a backlog of some $400,000 today.

In the area of housing production, we strongly support the 400,000 unit goal that the Administration has requested; however, we would like to point out the difficulties of the legislative set-asides that are causing distribution problems as those units are supposed to come down the pipeline.

For the whole state of Virginia, for example, for this fiscal year—we have 993 units of new Section 8 authority. That simply doesn't answer our housing needs in Virginia.

We have no elderly units in that amount, and we have a total, even considering 202, which has some difficulties I would like to address, total new Section 8, as well as existing Section 8 and public housing, a total of 4,500 units for the State of Virginia; but a new construction Section 8 alone is very, very deficient.

With regard to 202, I would like to point out that the direction of that program totally to nonprofit sponsors causes a tremendous difficulty in terms of production. We are very limited with regard to the production of elderly housing in our communities when public agencies are not permitted nor are private developers permitted to participate in the program.

That is not to take away at all from the nonprofit sponsor. It is simply a request that some consideration be given to at least a joint venturing between public agencies and nonprofit sponsors in this program without that being rejected as being inconsistent with the legislation.

In my own community we have proposed 3 applications. We have a 35-year history of successful housing development. We have city-wide biracial nonprofit sponsors who have been turned down because of a lack of track record. We don't have any in the community that have a track record.

We have been happy to underwrite the front-end costs and the burdens of making those applications as a public agency and manage the projects as they would come on stream; but we have been precluded from doing that because of the existing prohibitions against that.

With regards to housing management as it has been proclaimed by HUD this year—this is the year of housing management. We find some inconsistency with some of the HUD directions and that proclamation.

First is the fact that we have some $19 billion worth of inventory in public housing in this country. The performance funding system

sadly lacks in some areas with regard to the operation of our housing developments.

First, we have a limitation this year of a 7.2 percent inflationary increase, in the performance funding system. In my projects alone—which—in which we have effected several energy cost saving measures, our utilities will increase some 22 percent, or have increased 22 percent during the past year. That represents 40 percent of our operative budget.

Yet we are being asked to accept only a 7.2 percent increase in the performance funding level.

We also have suffered a 300 percent increase in insurance, and we have very little in the way of insurance claims. This is a problem that is facing the housing authorities all over the country.

Not that we philosophically disagree with the Brooke Welfare Amendment, but it is costing my authority $34,000 a month; yet we have taken several measures to increase the rents from the levels that were established by virtue of that Amendment; and, in fact, we will increase total rental income, total income rents and other income by over 11 percent this year but will be unable to spend it because of the fact that not only won't HUD provide the performance funding moneys, but we are also limited by what we can spend.

Therefore, the difference between the 11 percent and the 7.2 percent will not be spent for some very needed things in our housing projects. We find that unfair.

We are not asking for support of projects that are mismanaged and that are a shame to this program or that are a blight in their own way to the whole housing picture, but rather that the performance of well managed authorities with projects that are responsible and localities that are concerned be rewarded with an up-to-date performance funding system that is, in fact, geared to performance.

We would ask that you recognize the need for security in view of the investment that we have mentioned. We ask as part of the appeals set-aside or the appeals fund that would be considered for this year that security be given some serious consideration not from the standpoint of simply armed guards, et cetera, but rather that some of the programs that have worked very well, for instance, the Target Projects Program, where we had community service relations, police relations, et cetera, in our projects, that they worked very effectively and have increased not only the security of those developments but also the well-being of the people.

Mr. TRAXLER. Have you used CETA people in this area?

Mr. FRYE. Yes, we have, those funds coming down to local agencies such as ours, we do not get the lion's share of those funds. It is a difficult process, although we do employ some—in our housing management force, some 42 percent of that staff represent residents, former or current from our housing projects.

We do hire some from within, but we must have a system of funding for that.

In retrospect we are asking—and I do not understand why—for an increase in the performance funding system and do not understand why with HUD's recognized head of $765 million, why a $729

million we request was, in fact, made or should that be considered by this Committee.

One further point with regard to housing management is in the area of deferred maintenance. We are asking, because of a backlog of some $1.6 billion of deferred maintenance costs that at least $20 million a year be made available in contract authority on a consistent basis. We feel we can catch up with that.

The modernization program is another area that has done a great deal of good in our community and nationally. We are asking for an appropriation of $50 million, as opposed to the Administration's request for $37½ million.

In Portsmouth we have a $10.2 million modernization program covering some eight phases which has been extremely successful and, in fact, has helped us from both a management standpoint and from a community standpoint in every way.

We would request that you consider those funding levels.

I appreciate the opportunity to appear before you and would be happy to answer any questions.

Mr. TRAXLER. We appreciate your well-thought out statement.

I have no questions.

Mr. FRYE. Thank you.

Mr. TRAXLER. Thank you very much.

COLLEGE HOUSING PROGRAM

WITNESS

STEVEN HYCHKA, DIRECTOR OF FEDERAL FOCUS, REPRESENTING THE NATIONAL ASSOCIATION OF COLLEGES AND UNIVERSITY BUSINESS OFFICERS

Steven Hychka, Director of Federal Focus, representing the National Association of Colleges and University Business Officers.

Mr. HYCHKA. My name is Steven Hychka. I thank you for saying it right.

I am also the director of the Energy Task Force of three associations, NACUBO, The American Council on Education, and the Association of Physical Plant Administrators.

My testimony has been endorsed by eight associations, three of which we have noted.

I am here today to talk to you about our concerns on the college housing program and, particularly, the revolving account program that is now in Fiscal 1978 in its second year.

Of course, as you know, the boom for housing in higher education is over, but facilities change and the needs that we have in higher education now are more in specific special-need areas. The areas we are talking about are still new housing, of course, where there is emergency low-cost housing shortages in the vicinity and also the need for remodeling.

We are very concerned with energy and very concerned also with compliance with societal goals embodied in OSHA, Architectural Barriers Act, Environmental Protection. There are state and sometimes even local rules regarding these things.

Finally, some of our buildings are just plain outdated and deteriorating and are in need of remodeling to keep current with the times.

We think that there is a special case that could be made for emergency needs in places where there are critically low supplies of low-

cost-income housing. It appears that students move into the areas, take up the available market. A twofold reason for moving these students into college dormitories. One is they perform academically better, first.

Secondly, by relieving the pressure on the students, it also releases the pressure on low-income individuals looking for housing.

We run into a problem with the renovations, although most buildings do comply with grandfather clauses.

As we get in for remodeling, sometimes these larger compliances are triggered.

What a major renovation is, is really up to the legislation. They can't give you much detail unless if it affects 25 percent of the structure or costs more than $100,000.

There are two things that would cause us to break through this trigger. One is changing and remodeling, in a major sense, for energy conservation. Some of the renovation needs are quite costly.

The second is for so-called 504 compliance. I am sure you heard of that.

The 504 business is really a lesser standard of the Architectural Barriers Act. It does affect almost every single one of the institutions in higher education. We are now in the process of trying to cope with it, make physical changes, what have you.

It is, however, wise planning to do all of these remodelings at one time.

That is an important concept. It is less expensive. Also it is less burdensome on the people who are the residents.

In that regard, we would hope that renovation money would provide compliance with those items as they are broken through, as they are triggered.

On the energy conservation area, you know, most of our buildings, as probably your own homes, were built in an era of cheap fuel. No one was concerned with costs or the amount of Btu's that would be needed to provide a comfortable environment. In many cases now, we are beyond a comfortable environment, but still the buildings are not designed for the purpose of inexpensive fuel or low utilization.

We have been doing some things in this area. We are going through the phases that group has promulgated. That is quick fix, do everything you can that is inexpensive, turn down the thermostats, take out bulbs, that sort of thing, make some proclamations as to how activities will be conducted that don't really cost anything. It just takes the guts to move forward and you tell the community that they are going to operate differently than they have.

The second is the refit stage. That does take some funds. We have gotten into that quite a bit, but the systems convert is the most expensive and involves major renovation of buildings.

That's where we really need some help.

Now the situation, obviously, isn't going to change. We have some evidence that has exacerbated the situation.

First, the oil embargo; then the severe winter of 1976, particularly, the Midwestern areas; then the coal strike, of course, has not been very helpful.

Returns on investment for the type I am talking about can be very good. The estimates that I have given in my testimony are really conservative. Some of them can be quite a bit better. 30 percent is not abnormal, 25 percent we tell our people, if it doesn't meet a threshold

of 25 percent, not to invest in that. They are looking for the wrong things.

If it is this good, why aren't we doing it?

Basically, we are having a capital shortage across-the-board, and, as I said before, getting into energy renovation does trigger other things.

We do need help. The alternative to doing this is to pass on costs to students, particularly in dormitories where there is no other option, really, than the other activities.

I mentioned the emergency new start program. I would like to pass over that.

What are the demands? Well, in the first year—we don't have figures in the second year yet. The program has not been announced as of this date. It is scheduled to be about $105 million from last year. It does appear that the total amount applied for was in excess of $500 million in the first year.

It does appear that it will be at least that high again in the succeeding years.

The first year program was announced quickly and was awarded in less than six-months' time. It was rather difficult for our schools to respond. I think that will change in the future.

Now, there are some other sources of funding for this sort of program, but they are not all that good. The National Energy Bill, if it ever gets conferences, would provide some amount of money. We are going to have to share this with our other brethren in the nonprofit area. By the way, we are the smallest of the three groups eligible.

In the area of college housing, about $1.24 billion is needed in energy alone. We will not go into the others.

I did talk with the College Housing Program officials, according to them, via the telephone, they said over 3,000 total loans had been made to date and only three are in default. They said they do have some that are in arrears, but that these situations were being handled in a typical banker-borrower procedure.

The job pay-off, according to labor organizations, is that for every million dollars of construction, 65 jobs are yielded, which would mean if this program continued at its present level of about $100 million, that some 6,500 jobs would probably be available by this. Specifically, I would hope that you would instruct the agency to announce a Revolving Account program for 1979 with three eligible activities, the first being renovation of existing facilities for energy and other operating facility efficiencies, compliance with the Architectural Barriers Act, Environmental Protection, of course, health and safety programs, as promulgated by federal, state, and local law, if required were not, by the way, in effect, at the time such facilities were constructed.

The B category would be emergency new construction in areas of critical low-cost housing needs.

Finally, general remodeling of outdated and deteriorating facilities.

We have had a bit of a problem with priority-setting in the past. I suggest that possibly you might want to announce a program with these three parts in them and have demand determine supply, that is, by assuming the various applications in the three components.

One could then make a ratio and submit funding on that basis. I think that that would make much more sense than priority deciding

that this should be priority 1 and then the need used up all of those funds and we never get to priority 2, which I think would be the case in 1978.

Just finally, I would like to tell you—and I will tell you—that the needs of higher education changed since the building boom of the 1960's. Although there are pockets of emergency needs for new construction in areas of great demand for low-cost housing, the emphasis is really on renovation for energy and other operating efficiencies and compliance with societal goals.

The revolving account should be continued, at least for five years, I would imagine.

The priorities ought to be set by demand, instead of before the fact.

I do think the college program is a good one. It has been well managed and well received.

We are thankful for it. I think that together the government and higher education can work better to satisfy societal demands.

I just skipped over one thing.

It may sound like we are complaining about societal demands on our facilities. We are not. We just want it to make sound business operating sense, sound educational policy to have an environment that is open, accessible to all, safe for all, and is not a pollutant to our environment.

We would just like to thank you very much on behalf of higher education for your attention to our needs and for the past help you have given us.

[The complete statement follows:]

My name is Steven C. Hychka and I am Director of the Energy Task Force of the American Council on Education, Association of Physical Plant Administrators and the National Association of College and University Business Officers. I am appearing before you today on behalf of the Energy Task Force and the higher education associations noted on the cover sheet of my testimony, to present our views concerning the College Housing Program (CHP) and the revolving account program.

Although the building boom which CHP played such an important and welcomed role in is over for the foreseeable future, higher education finds itself in a new dilemma which is an excellent argument for continuation of the so-called "Revolving Account Program." Significant funding is needed for emergency new start construction and renovation of housing facilities in higher education for energy conservation, compliance with OSHA, Architectural Barriers Act and Environmental Protection, federal, state and local laws, as well as remodeling to update outmoded and deteriorating structures. Certain campuses have emergency needs for new facilities because low-income housing in the immediate vicinity is in critically low supply; to some extent solving one need solves both.

The majority of existing housing facilities were erected prior to the enactment of the Occupational Safety and Health Act, the Architectural Barriers Act and Environmental Protection Acts, as well as the present and continuing energy crisis. "Grandfather" clauses allow facilities existing prior to enactment of new legislation to remain in "as is" condition unless a major renovation is undertaken. A renovation is usually defined as major if the total cost of the effort exceeds $100,000, effects over 25% of the structure, or similar language depending on the legislation. However, although nearly all facilities are in compliance with at least the "grandfather" clauses of these socially mandated objectives, two recent developments may require full compliance.

These recent developments (1) the current and worsening energy crisis and (2) the enactment of the Vocational Rehabilitation Act of 1973 with implementing regulations which require that among other space housing, food services and student union facilities (eligible under CHP) be accessible to handicapped students and employees. A "major" renovation either handicapped access or sound energy conservation programs would require full building compliance with the acts cited

above. (As you know, so-called "504 compliance" is not as rigorous as compliance with the Architectural Barriers Act; but, the catch is that any "major" renovation for compliance with the lesser standard would probably trigger the need to comply with the higher standard and several other standards!)

Certainly one would be hard-pressed to argue against the intent and effect of the laws concerning facilities. Operating facilities that are accessible to all, safe for all and safe for the environment makes good sense. However, as it is wise planning, less expensive and less disruptive to renovate a given building once-for-all purposes rather than on a piecemeal basis, the CHP should clearly indicate that compliance with OSHA, Architectural Barriers and Environmental Protection Acts, federal, state and local, are eligible activities under a FY79 program.

What are the energy conservation concerns?

As most campus facilities were built in an era of cheap fuel, the mechanical and electrical systems and building skins were designed with the lowest possible acquisition cost in mind and never a worry as to the cost of energy required to provide a comfortable environment. Basic mechanical systems were designed for peak use rather than for average needs with standby capacity for abnormal conditions. The oil embargo, the severe winter of 1976, the coal strike of 1977–78 and spiraling energy costs have changed the focus.

Colleges and universities are instituting sophisticated plans to conserve energy and therefore hold down the cost of operations. Most have completed the "quick fix" phase, requiring little or no expense; many are in the process of "refit" which requires some expense; and a few have begun the "systems convert" stage which is very expensive. Intelligent energy conservation can be very cost effective. Returns on investment can be as high as 100% per year although most renovations return 10 to 30% given today's pricing.

Why are colleges and universities holding back if the returns are so good? Generally, there is a capital shortage on college campuses. Needs exist across the board. Many renovations trigger other compliances and the cost of these compliances erode the return on investment to the point where it is cheaper to be "fuelish." Help is needed. Cost of energy has been and will continue to be passed on in part to students in the form of additional fees.

Emergency new starts

As mentioned previously, there are pockets of college housing shortages. These shortages appear essentially coincidental with areas of low-income housing deficiencies. Certainly a new college dormitory in such areas would serve two purposes: (a) move students into a dormitory where education research indicates clearly that students' academic performance is improved; and (b) relieve in large measure the strain on the low-income housing market. This is particularly true in urban areas and becomes more the rule as rural towns reach new popularity with lower income Americans.

What is the demand for these categories of assistance?

During the first year of the revitalized CHP Revolving Account loan programs (FY77) the demand for renovation funding to improve operating efficiencies was $89,224,000 of which $53,401,000 was met. In the area of emergency new start needs, $431,901,000 was applied for and $76,256,000 was awarded. As the numbers indicate, total demand was four times supply in the first year of a program announced and awarded in less than six months with a minimum of prior publicity. Demand well above $500,000,000 can safely be predicted for the FY78 program and at least five years into the future.

Are there other sources of funding for these needs?

The National Energy Bill, if ever conferenced successfully, would provide under Part C a minimal amount of assistance to higher education for energy renovations. Too little is authorized for too many facilities—elementary, secondary and traditional postsecondary institutions and nonprofit health care facilities are all eligible for assistance. Traditional postsecondary institutions comprise the smallest group of those eligible, even though their needs total approximately $4 billion for energy changes. Needs in space eligible under CHP are about $1.24 billion.

The *Higher Education Facilities Act*, HEFA, Title VII Part E now is authorized to provide many of the same features as CHP. Space eligible under HEFA is instructional and research, not housing. These HEFA features are yet to be appropriated but the Administration's budget does call for some funds in FY79, and a revolving account program in FY78.

Is the program being abused?

According to CHP officials, of over 3,000 loans made to date only 3 are in default. Some are in arrears but are being handled under normal banker/borrower procedures.

What are the benefits in terms of jobs?

According to labor organizations every $1 million of construction yields 65 jobs. Therefore continuing the revolving account at approximately the $105 million level would create some 6,500 jobs based on normal yardsticks utilized and adjusted for the type of work eligible for funding.

Eligibility for funding

The needs cited above suggest that Congress instruct the agency to announce a revolving account program for FY79 with the following eligible activities:

(A) Renovation of existing facilities for the purposes of energy and other operating efficiencies, compliance with the Architectural Barriers Act, environmental protection and health and safety programs promulgated by Federal, State or Local law if such requirements were not in effect at the time such facilities were constructed;

(B) emergency new construction in areas of critical low cost housing needs, and,

(C) general remodeling of outdated or deteriorating facilities.

Priority setting within the three categories

For the initial two years of the revolving account program priorities have been established arbitrarily without any real assessment of needs. How the funds available ought to be divided between the three categories recommended above can be determined by summing the proposals by group and proportioning the funds on that ratio. The benefits of such an approach would allow campus needs as evidenced by proposals to determine the priorities.

Summary

The needs of higher education have changed since the building boom of the "1960's." Although there are pockets of emergency needs for new construction in areas of great demand for low cost housing, the new emphasis is in renovation for energy and other operating efficiencies, and compliance with societal goals as related to facilities. The revolving account needs to be continued for at least five years into the future. Priorities ought to be set by demand instead of before the fact.

The College Housing Program is an excellent example of how government and higher education can work together to satisfy societal needs. The program is well run and very necessary.

Thank you on behalf of higher education for your attention to our needs.

Mr. TRAXLER. During 1978 the balance available to the College Housing Loan Fund will be in the area of $111 million. Should all this be made available?

Mr. HYCHKA. Oh, clearly, yes.

Mr. TRAXLER. It has been?

Mr. HYCHKA. You did that last year. The unmet need in the 1977 program was about $400 million.

Mr. TRAXLER. This program has been kept open by this Subcommittee.

Mr. HYCHKA. I know. We thank you.

Mr. TRAXLER. It is one we like. It's been supported. Certainly, it is in the nation's interest to have energy conservation. It makes a lot of sense to retrofit these buildings to achieve that goal.

We shall see what the Senate says.

Thank you.

Mr. HYCHKA. Thank you very much.

SECTION 8

WITNESS

CARL COAN, LEGISLATIVE COUNSEL, NATIONAL HOUSING CONFERENCE

Mr. TRAXLER. Carl Coan. Welcome, Carl. Nice to see you. You are with the National Housing Conference as their legislative counsel. You are an old face in this subcommittee.

Mr. COAN. I am pleased to be back again. I would like to thank you for this opportunity to present the views of the National Housing Conference on the HUD budget for fiscal year 1979.

Mr. TRAXLER. We will make your statement a part of the record. You may proceed.

Mr. COAN. We are the oldest national organization whose sole purpose has always been as stated in the opening sentence of the resolutions adopted at the 47th annual convention last month that ". . . an easily understood and clearly stated policy is needed establishing that all the citizens of this Nation should be able to live and work in decent housing and decent communities."

It is from this perspective that we view HUD's fiscal year 1979 budget and find it inadequate in certain aspects. We support the Administration's requests but believe they should be increased in several housing areas.

While the 400,000 unit level requested for Section 8 and Public Housing is not the retrogression from past levels that was rumored last fall, it is far too low to meet the ongoing need for an increased supply of low and moderate income housing, let alone make up for the shortfalls that have occurred since the moratorium of January 1973.

When one analyzes the projected use of the 400,000 units, it becomes apparent that we will not be increasing the supply by anywhere near that amount. Over 30 percent of the units are slated to be existing housing, with another 30 percent projected to be rehabilitated units.

At a time when national rental vacancy rates are at their lowest in recent history, it seems strange to be concentrating so much of our housing assistance on existing units. As many studies have shown, as much as 50 percent or more of the Section 8 funds committed to date for existing housing have been used to maintain lower income tenants in their present dwellings frequently with little or no improvement in housing quality.

While there is a definite need to increase rehabilitation efforts, many question whether there is the ability to achieve the level of project rehabilitation projected in HUD's budget.

The result of these allocations is that only 110,000 units will be available for Section 8 new construction and 46,000 units for new public housing units. The demand and need for these units, especially Section 8, is far in excess of the funds available now and next year's projected authorization level will do little to ease the situation.

We, therefore, recommend that the Subcommittee approve a supplemental request for fiscal year 1978 to bring the authorization level up to the 400,000 units originally requested by the Administration and authorize a 600,000 unit level for fiscal year 1979.

We believe that HUD has the capability to handle a 600,000 unit level if the increased staff it has requested for fiscal year 1979 is approved. Furthermore, we understand that HUD itself recommended a 600,000 unit level to OMB last fall in conjunction with its budget request for fiscal year 1979.

One of the biggest problems that has been confronting HUD and its subsidized rental projects has been the sharp increase in the cost of operating these projects over the past several years as the result of inflation, especially for utilities. At the same time, the incomes of the tenants have increased at a much slower pace.

We applaud the Administration for proposing a new program to deal with this situation, but we are concerned that the funds requested are insufficient. We urge the Subcommittee to ascertain whether the $74 million requested for fiscal year 1979 will be adequate, and if not, to provide sufficient appropriations to assure that all projects and their tenants who need assistance will be able to get it.

In this context, we support HUD's supplemental request for fiscal year 1978 for $24.3 million in contract authority for existing rent supplement projects. We also urge the Subcommittee to approve supplemental funds to cover increased utility and tax costs for existing 236 projects.

There is only a limited amount of funds available to implement the revised, and much simplified, 236 operating subsidy program enacted in the Housing and Community Development Act of 1977 and slated for implementation this month. These projects and their tenants cannot afford to wait until fiscal year 1979.

We also applaud the Administration for deciding to keep the 312 rehabilitation program operating. 312 has been enormously successful in assisting communities to achieve the rehabilitation which is so important to stabilize declining neighborhoods.

However, it is grossly underfunded. We support the level requested by the Administration for fiscal year 1979 and urge that an additional $40 million be appropriated for fiscal year 1978.

We endorse the Administration's recommendations that statutory set-asides for the public housing and Section 8 programs be eliminated. The interwined web of set-asides has made it very difficult to put the housing that is most needed in the place where it is most needed.

Perhaps set-asides were needed when HUD was resisting the use of the programs in the fashion intended by the Congress, but that is no longer the case and the set-asides are, if anything, hindering HUD from following the intent of Congress.

I would like to add NHC supports full funding for 202 along with reauthorization of any funds not used in previous years. We also support removal of appropriation act restrictions against 202 loans to the public housing agencies, housing finance agencies and limited dividend sponsors.

NHC also supports HUD's request for approval to use up to $2 billion of GNMA Special Assistance funds for mortgage purchases in fiscal year 1979 under its tandem programs. These funds are needed to assure that mortgage financing is available to FHA-insured Section 8 projects.

The Subcommittee should also consider authorizing GNMA to use some substantial portion of the recaptured authority that will be avail-

able under the Emergency Home Purchase Assistance Act of 1974 if conditions in the mortgage market deteriorate to the point that a scarcity of funds and high mortgage interest rates start affecting housing production. While there is no need for such assistance now—or only limited need—there are alarming indications on the horizon that mortgage money may become much scarcer and that interests rates could rise to 10 percent or higher. GNMA should have the authority available to deal quickly with such a situation if it should occur.

In closing, I should like to state that NHC supports HUD's request for full funding of its CD and UDAG programs, including the extra funds for UDAG requested by the President in his Urban Policy message.

There is no question that these funds are needed to assist our cities and other urban areas to deal with their physical problems so evident in many deteriorating neighborhoods. In fact, NHC believes much more needs to be done to help our older, larger cities which will need long-term aid to bring about their physical and economic rejuvenation.

Thank you.

Mr. TRAXLER. Carl, are you of the opinion that there's sufficient contractor capacity to do the work in the Rehab area that is talked about in section 8 and in the section 312 proposals here?

Mr. COAN. I have concerns whether there is.

Mr. TRAXLER. If that is the fact, where should we make the reductions?

Mr. COAN. I would suggest, Mr. Chairman, that you shift—to the extent that you are going to designate that funds be shifted to new construction to Rehab in section 8.

312 basically has been used for single family rehabilitation. That is the primary basis for which it is used and I think there's still a tremendous need for it. Perhaps there is also a need for small project rehabilitation. That's not been done to any great extent yet, but it is certainly worth experimenting with to see whether 312 can fulfill that role.

I just—I am a strong personal supporter of rehabilitation. I just don't know whether we can get up to the level projected in this year's budget.

One of the problems is the budget authority situation. As we calculate budget authority when you deal with Rehab, you are dealing with a lower multiplier. Therefore, you can get more units conceptually per dollar of budget authority than you can with new housing.

I know you can't really deal with that. That is a budget committee problem, but I think it's got to be the Congress problem as to how to deal with it.

Mr. TRAXLER. I want to thank you for your presentation.

Mr. COAN. Thank you.

Mr. TRAXLER. The committee will be adjourned until 10:00 o'clock tomorrow morning.

Integrated Pest Management Control Program

WITNESSES

HON. GEORGE MAHON, CHAIRMAN, HOUSE APPROPRIATIONS COMMITTEE
PERRY ADKISSON, ENTOMOLOGY DEPARTMENT, TEXAS A. & M. UNIVERSITY
DON ANDERSON, LUBBOCK, TEXAS
L. DALE NEWSOM, PROFESSOR OF ENTOMOLOGY AND AGRICULTURE, LOUISIANA STATE UNIVERSITY
JACOB R. PHILLIPS, UNIVERSITY OF ARKANSAS
LARRY A. HULL, PROFESSOR OF ENTOMOLOGY, PENNSYLVANIA STATE UNIVERSITY
THOMAS W. STYER, PENNSYLVANIA

Mr. Boland. The Committee will come to order.

We are delighted to have with us the Chairman of the full Appropriations Committee, Mr. George Mahon of Texas. He is always welcome to the Subcommittee.

As all of you from Texas know, he is one of the giants of the Congress, and one of the finest personalities, and one of the finest gentlemen it's been my privilege to know since I have served in the Congress of the United States.

As all of you know, too, he is retiring at the end of the 95th Congress. We are reluctant to see him go. No one has addressed himself with greater industry and spirit to the problems that have affected America from the point of view of spending than he has, at the same time recognizing the particular political problems that are always associated with service in any legislative body.

So we are delighted to have you, Mr. Chairman. This will be one of the few times you will appear before this Subcommittee outside of the markup. We are always pleased to hear you.

Chairman Mahon. Thank you for the commercial, Mr. Chairman. I can't use it in my campaign, but it sounds good.

I am very happy over the fact I can be with you a few moments this morning. I want to introduce a few of the fellows who are going to appear before you in a few moments. The Integrated Pest Management meant nothing to me not too many months ago, but I have become convinced it's a wonderful idea.

It will save a lot of money in the long run. It will reduce the cost of production. It will mean improvement of the environment.

I have with me Don Anderson from my own district and my home town; Perry Adkisson of Texas A&M who will head the panel, and panel members from Arkansas, Louisiana, and Pennsylvania.

I wanted to come to listen a while to the testimony and to introduce these gentlemen. I know you will give them a good hearing.

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Thank you very much.

Mr. BOLAND. Thank you very much, Mr. Chairman.

Dr. Adkisson, you can introduce the people accompanying you. I might indicate to those in the room, as Dr. Adkisson and his people already know, this is not a new program. It's been going on for approximately six years. It has not been an inexpensive one, let me say to you, too. The total cost, as I understand it, over that period from 1972 through 1978 comes to around $12,537,000.

There has been a considerable amount of money expended in this area. What the results have been, you know better than we do.

It is a program that has been started. There is a necessity for carrying it on in order to reach particular conclusions. We are delighted to receive testimony from you.

STATEMENT OF DR. PERRY ADKISSON

Dr. ADKISSON. Mr. Chairman, distinguished members of the Committee, I would like to introduce the panel with me, and say that we would like to just give some opening remarks, and hope that there are some questions we can interchange with you. On my right is Don Anderson, a cotton grower from Lubbock, Texas, who has been instrumental in the Texas pest management programs. He will make some statements as a farmer and producer and representative of that group.

On my left is Dr. Larry Hull, Professor of Entomology at Pennsylvania State University. They have been very much in the project on apples.

To his left is Mr. Tom Styer, an apple grower from Pennsylvania, who is a master farmer from Pennsylvania. He has been involved in the program, been one of the recipients of the technology. He will say a few words about the benefits this program has had to the apple growers of not only Pennsylvania, but Michigan and New York and other apple growing states.

In addition, we have two other members that will be here if you have questions: Dr. Dale Newsom, of Louisiana State University. Dr. Newsom is a distinguished Professor of Entomology and Agriculture, among the most distinguished agriculture scientists in the United States. He has been the leader of the soybean project which encompasses much of the soybean growing area of the country.

The other person is Professor Jacob Phillips from the University of Arkansas, who has been involved in a cotton project that has substantially reduced the pesticide use on cotton, and has greatly increased the profits of farmers in his state.

I would like to just make a brief opening remark to say that it is a privilege for us to be here to present to you our views on some of the current problems in agricultural productivity, and more specifically discuss what some of the state agricultural experiment stations and universities have been doing and propose to do to solve some of the problems of pesticide pollution of the environment.

For years U.S. farmers have attempted to maximize yields in relation to costs. To accomplish this, hundreds of chemicals have been used to increase yields, protect crops and decrease labor requirements. These chemicals have been used with little thought concerning the eventual consequences of their release into the environment. Side-effects and

long-term impacts of the chemicals on the environment were unknown, or ignored. It was only with the ban of DDT that U.S. farmers began to understand the constraints that society might place on their actions.

Currently there are many conflicts between agricultural needs and environmental concerns involving the use of agricultural chemicals. The problem is: How are farmers to use these chemicals with least adverse impact on the environment?

The present solution largely resides in the regulation of the use of agricultural chemicals. In most cases, the trade-offs that have been made have not pleased the farmers, the environmentalists or the chemical industry.

Also, if the Environmental Protection Agency is to continue restricting the use of chemicals needed by farmers they also should support research efforts in the States to provide economically satisfactory alternative methods for controlling pests.

Farmers need these chemicals. The Environmental Protection Agency has to do this. We believe they do have the responsibility for protection of the environment. We believe they also have the responsibility to support the research that we need to develop alternative methods for control of pests.

Because of the concern we had over these problems, a number of scientific people in 18 major land-grant universities in 1972, when DDT was banned, came up with an alternative proposal which has been called the Huffaker Project for developing alternative methods of pest control and for the integrated pest management concept.

This project was funded by the U.S.D.A. at some levels, but primarily by the Environmental Protection Agency and the National Science Foundation. They have put about $2, $2½ million a year into this project, which will end in October.

That project was largely centered on insects. We think it has been quite successful. We believe Mr. Anderson and Mr. Styer are going to verify that for you. It is taking all the weapons available to you and using them to battle an enemy, resistant varieties, cultural practices, sanitation practices, good management.

We are talking about good farm management. I think that they will convince you that that can be done, can be implemented by farmers. Our concern is that this project is coming to an end. We want to see it continued into a second page to capitalize on investments already put into it.

We have 15 universities involved in the proposal that we have which would involve 256 scientists. This time we want to take on all the pests: the insects, the weeds, diseases, nematodes, that farmers have to do, and develop for them a management system, systems that they can properly manage to make greater profits.

I want to mention briefly two or three programs, and then I will ask Mr. Anderson and Mr. Styer to expand on them. In Texas we have developed new cotton varieties in a management program which we have demonstrated that we can produce more cotton than we have been producing in the past, with 50- to 75-percent less insecticide, 80-percent less fertilizer, and half the irrigation water.

The profit to the farmer is more than $100 an acre. Our farmers won't end this program. We have more that want to come in than we can accommodate right now. This is in various stages of development.

We have varieties coming. We need to keep the research and technology.

In apples, they reduced the pesticides used on apples by 20 and 30 percent in Washington, Michigan, New York, and Pennsylvania.

In soybeans, we are trying to keep this problem from coming under a chemical attack. We see more and more chemicals used on soybeans. We believe we can grow soybeans with fewer chemicals and less pollution to the environment, and greater profits to the farmer.

So integrated pest management makes sense. It is a reasonable approach to the regulation and use of chemicals. It is a reasonable approach to the constraints on the farmers for making a profit. That's the reason that our farmers in Texas—and I know the ones over in Arkansas—Dr. Phillips had an area, 50 square miles, he reduced the pesticide use from 10 applications to 2. They did that three years in a row.

Dr. Phillips tells me—and two of the farmers we visited with yesterday—that's increasing the profits from $30 to $40 an acre. They like that.

I would like to now call on Mr. Anderson for a comment.

Mr. BOLAND. What dollar figure are you looking for from the Congress? You talk about the integrated pest management. You haven't mentioned any particular figure you are looking for in the fiscal year 1979 budget.

Dr. ADKISSON. It is our understanding in visiting with the EPA people that their request for integrated pest management was dropped in the budgeting process internally. We would like to see $5 million restored to that budget for integrated pest management to support research that we have got in mind for other projects.

In turn, our own state universities and experiment stations have pledged to put in considerably more money than that as a state share of this thing.

Mr. COUGHLIN. Mr. Chairman, when EPA was before our Subcommittee, I raised this specific question, and in fact received a very unsatisfactory answer. They initially said there was money in, and they had to come back and revise their own testimony because they realized that not all of the money was in. They made a request for $2 million, and one position from EPA to OMB which was denied.

Mr. BOLAND. Our understanding is, as you indicated, there was a request for $3.2 million. That was denied. My understanding is that the President has included $1.2 million in the budget for this activity.

Are you aware of that?

Dr. ADKISSON. No, sir.

Mr. BOLAND. But the level of spending that you desire for IPM in fiscal year 1979 is $5 million?

Dr. ADKISSON. Yes, sir.

Mr. BOLAND. Just let me ask you a question about the programs. How many are being accommodated now within that particular program? You said that there are a lot of others that want to be accommodated. This is not possible.

Dr. ADKISSON. What I said was that we have a lot of farmers now in Texas and in other states who would like to be accommodated under the IPM programs. There is a demand in the countryside for this technology. We do have procedures for accommodating that.

Mr. BOLAND. Fine.

Mr. ANDERSON. Mr. Chairman, thank you for the opportunity to appear before the Committee. I share with you the remarks you made about our Congressman from our area, Congressman Mahon. I would just say the loss to our district, we feel, is going to be equal to the loss in the Congress itself. We know of no others. He's been there so long, our children know of no other Congressman in the country.

I am president of the Texas Pest Management Association. TPMA is an association of the 20 integrated units in Texas and is chartered under the Texas corporate law.

Integrated Pest Management pilot programs have been in operation in Texas for some five years. Our state started out with two IPM pilot units and we now have in place approximately twenty Integrated Pest Management units. The IPM units will average approximately 8,000 acres each.

The Texas Agricultural Experiment Station has carried out significant research in developing various management tactics to be employed in the Integrated Pest Management system which minimizes the use of insecticides and reduces the cost to the farmer.

With the capable assistance of the Texas A & M University extension system, demonstration programs have been placed around the state working with the local producers in proving up the IPM concept. The fact that we today have 20 operating Integrated Pest Management units is indicative of the success and acceptance of this program by the producers. Cotton has been the major target crop since it used the bulk of the insecticide within our state.

The Texas A & M University Extension Service has played a major role in assisting the Texas Cotton Producers Commodity Organizations in locating and setting up the Integrated Pest Management programs, drawing on producer leadership within the area to function in a committee system governing each Integrated Pest Management unit.

The Texas cotton commodity organizations are organized in a statewide association called the Texas Association of Cotton Producer Organizations—TACPO. The commodity organization members of TACPO spent considerable amounts of money and effort in setting up these Integrated Pest Management units within the state. That is getting all the leaders pulled together to work within these units.

TACPO led the effort to charter our association of the IPM units, and there is a 20-man board of directors governing the association. Each Integrated Pest Management unit has a qualified entomologist who serves as the nucleus around which the farmers function.

Scouts are supervised by this entomologist and are paid by the producer through an assessment per acre. These scouts accumulate information weekly from observations made in the farmer's fields as to the insect population levels. That is both the beneficial and damaging insect population.

This information is forwarded to the entomologist for evaluation, and recommendations are made to the farmer as to when he should apply insecticides.

Records indicate that farmers who participate in the Integrated Pest Management programs not only apply insecticides to their crop fewer times, but also have a lower cost in insect control. At the same time, producers are seeing increased yields per acre.

The farmers who participate in Integrated Pest Management programs do more, however, than just count the insects in the field. Cotton varieties are selected based on some immunities to insect damage. Planting dates are selected and quite often a number of farmers within a given area will select a uniform planting date in order to better cope with the insect population.

To get a group of farmers to agree on a planting date and all abide by it, is a substantial accomplishment, particularly in cotton country, where they all have their own ideas as to what date they should plant. They are beginning to realize that the battle with the insect is one where they all have to get together and work together to maximize the opportunities under Integrated Pest Management.

Fertilizers are selected and, where irrigation is used, irrigation is planned to optimize cotton yields but minimize exposure to insect damage. We are finding we can grow cotton with less water, particularly since natural gas is going up.

Certain trapping techniques are used to give an early indication of insect population trends. The research people are exploring other alternatives and supplements to make the program of production for the farmer even more efficient and less dependent on insecticides.

All of the components of the Integrated Pest Management approach to production have as its ultimate objective the achievement of insect suppression based on sound ecological principles that integrate chemical, biological and cultural methods into a practical program where the profits for the farmer can be maximized.

Integrated Pest Management is an approach that emphasizes the use of the natural control factors and deemphasizes the use of chemical pesticides. This certainly does not mean that we can eliminate chemicals, but the use of chemicals can be reduced by bringing into play the other components of Integrated Pest Management.

These components, as I mentioned before, are the pest-resistant varieties· crop timing and rotation, changes in irrigation and fertilizer applications, and new tilling techniques. All are important components of Integrated Pest Management systems.

Strategies must be developed, however, for different areas because of the differences in rainfall and temperature and other growing conditions.

Some of the cotton production in Texas is in a high-rainfall, high-humidity area; in other areas the rainfall is limited and the air is dry. In some of these areas irrigation is applied.

For these different areas different programs and strategies are required. These strategies must be developed based on knowledge, not only of the area and the growing conditions, but of the insect pest itself and its ability to survive under certain climatic conditions.

This requires intensive research work by the research group and a careful collection of data by Extension personnel. It is quite often a fine line to follow in making the decision as to when you cease to depend on the biological and natural controls of an insect pest and shift to the dependency on chemical application.

This is extremely important, we think, in the Integrated Pest Management concept.

A careful assessment of the beneficial insect population is very important. Quite often farmers who do not participate in the Integrated Pest Management program shift to insect control by chemical applica-

tion too quickly, thereby increasing his own cost and sometimes reducing his yield.

There is still much research to be done in determining all of the components that can be utilized in an Integrated Pest Management system to optimize the benefits to those producers who participate. Significant breakthroughs have been accomplished through research.

The Texas Agricultural Experiment Stations have made concentrated efforts to look at the total production system, particularly in cotton, but there are still a lot of areas to be researched and there are still a number of major crops for which reliable Integrated Past Management techniques have not been developed.

This will require more researchers; the implementation will require more Extension personnel, particularly people who understand and support the basic IPM concept.

Even when an IPM strategy is developed, it is very difficult to translate the advantages and necessity to farmers and others, including the banker, who often remains bound to the chemical control techniques because that is what has worked in the past. This is a real problem, gentlemen, in getting the farmer to break a habit he has been carrying on in the past, and also to convince his banker that he is trying something new when margins are quite closed in the farming communities today.

They often want the farmer not to change anything, just do a better job. Well, the type of insect control programs in the Integrated Pest Management program, we think, is doing a better job. We need to get that information to those who finance the farmer.

Quite often the farmers who rely on the use of pesticides as a preventive, and as a form of insurance, rather than risk making a wrong decision based on actual need. This is fostered by those who traditionally provide the information that farmers use to make decisions on pesticide use.

Farmers receive most of their insect control advice from salesmen representing insecticide companies. I have read a recent study of California cotton farming that indicated that 70 percent of the insect problem decisions originated with the chemical companies' employees.

We are striving in Texas through the Integrated Pest Management program to provide the farmer with accurate information about his crop and insect conditions in order that he, with the assistance of a qualified entomologist, can make decisions for his crop in relation to cost, profits and the minimum impact to the natural biological control systems that help keep his damaging insect populations in an acceptable balance.

This is very important in the IPM concept. We learn to live with some damaging insects. Here, if you will carry on an insect control program that is—that goes too far in the application of your insecticides, you can eradicate all of the beneficial insects that keep your biological control of your insect population.

We are finding that if you fine-tune your insecticide applications, you can maximize the survival of certain beneficial insects, and yet put a damaging blow through the insecticide to those insects who are causing the problem.

Integrated Pest Management in Texas is a big step forward; however, it has not been easy. It has been with significant cooperative efforts on the part of the TACPO members, the Texas A & M Univer-

sity Extension Service, and the Texas Agricultural Experiment Station.

Special appropriations have been obtained from the state for technically trained entomologists in the Extension Service and special research projects for the Experiment Station for IPM. These funds, coupled with federal funds, have helped to develop the position that we now have in Texas in relation to Integrated Pest Managament programs.

To be really effective on a large enough scale, more research projects have to be initiated, more demonstration projects should be in place to show to the farmers the benefits, more educational programs must be implemented to accelerate the transfer of the IPM technology from the research and experiment laboratories to the field.

The cooperation in Texas between the Texas A & M University System, the Texas Department of Agriculture, and the producers, has been outstanding; however, Integrated Pest Management today still only covers a small percent of our agricultural crops. We have approximately 200,000 acres being covered under Integrated Pest Management programs.

To give you a perspective of the scope of the problem, just in cotton alone there are approximately 6 million acres planted in Texas. Of that 6 million acres there would be at least 4 million acres that could benefit significantly by implementing Integrated Pest Management programs.

We are working very closely in the state with the private consultants, but unfortunately the demand for programs is much greater than what can be covered, considering the availability of funds for training of scouts and personnel for supervising the Integrated Pest Management programs.

We would make a special appeal for funds for training technical people in the university systems, funds for recruiting young people who are interested in summer work and who would be interested in developing vocational skills in this field.

I will be happy to answer any questions about the Integrated Pest Management Programs in Texas that you might have.

Mr. ANDERSON. We are very proud of the developments that we have accomplished to this date, thanks to the very fine leadership Texas A. & M. University has often given us as producers. We have come a long way.

Mr. BOLAND. Thank you very much. I must say after that filibuster, I don't think I have any questions.

Since we are operating on a time schedule here we would appreciate a highlighting of the statements of the additional people on the panel.

Dr. ADKISSON. Mr. Styer?

Tom Styer, Pennsylvania apple grower.

STATEMENT OF TOM STYER

Mr. STYER. My name is Thomas Styer. I am the owner of Styer Orchards, Longhorn, Pennsylvania, which is near Philadelphia, east of Philadelphia. We operate about 500 acres in a very urban area. We have tried this Integrated Pest Management program in our operation. It works; it really does. That's the single most important point about it.

We figured last year saved us between $10- and $15,000, many less man-hours are expended in this program. I have a few of the high points here which I will just go over.

The way it is operated is our orchards are checked weekly. We have traps set in the orchards to catch insects. We are not using a shotgun method of spraying as we used to do. We used to make up a spray schedule. I could tell you three years from now what we will be using because we will be on schedule.

Now we spray according to what insects are caught in these traps. We spray only when needed. We cut our total sprays—used to be in the neighborhood of 16 to 18 sprays a year. We are down to 10- or 12,000.

Our usage of insecticides and pesticides, have gone down to about a half to two-thirds of what we used to use. We see no difference in the results; in fact, if anything, better. We make cider, process apples and juice; so we felt when we tried this, if we lost fruit, we would go into cider and wouldn't lose that much.

As a matter of fact, the way it works out is the fruit is good. We use considerably less fuel. Everybody is very conscious about the fuel reserves. It's cut down our spraying operations considerably.

Just one more thing. We feel if we had to revert back to the old chemical type of control—in the very first place, we were experiencing a lot of resistance to chemicals. Insects build up resistance over a period of years.

We had to go back to a much higher cost, much more spraying. We are surrounded by homes. We are a very urban area, as I said. The less we can spray, the better it is for our neighbors.

The last point is that the new chemicals are not being developed and brought along as they used to be. It is very difficult to get approval on new chemicals. Really, if we don't go to Integrated Management like this, we will be in a lot of problems. I would like to submit my prepared statement in the record at this point.

[The statement follows:]

Mr. Chairman, Members of the Committee, it is a pleasure to appear before you today in support of Integrated Pest Management.

I operate approximately five hundred acres of fruit and vegetables in the Langhorne area, about twenty-five miles north east of Philadelphia, in the highly urbanized southeastern corner of Pennsylvania.

Following are some of the results that were obtained by using the Integrated Pest Management system of controlling insect pests in our orchards:

1. Our 1977 savings over previous years were in the neighborhood of ten to fifteen thousand dollars.
2. Our pesticide usage was cut by one-third to one-half.
3. Sprays were applied ONLY when needed, as determined by inspections of and in some orchards, as low as ten times.
4. Fuel used and the number of man-hours expended were reduced approximately fifty percent.
5. Harvested fruit was of equal or better quality than the fruit raised before employing the Integrated Pest Management program.

These tremendous savings were attained in the following ways:

1. The orchards were checked weekly by our IPM consultant.
2. Various types of insect traps were placed in the orchards to collect and determine what kinds and how many insects were prevalent.
3. Sprays were applied only when needed, as determined by inspections of trees and traps. (We no longer use the "shotgun" method of applying sprays that may or may not have been needed.)
4. Weed management was more selective, spraying only for specific types and at the proper stage of growth.

5. Weather conditions were closely monitored and sprays for fungus diseases were applied only when conditions so dictated.

If we were forced to abandon this progressive method of pest management due to a lack of government support, I feel that the following events would occur:

1. Insects would rapidly build up resistance to chemicals, thereby requiring constantly increasing concentrations. This, in turn, places ever increasing levels of toxic materials into the atmosphere and waters.

2. A drastic increase in the consumption of petroleum products used in the chemicals themselves and in the equipment used for application.

3. Much higher cost to the grower, ultimately reflected in the prices charged to the consumer.

Thank you for the opportunity to express the thoughts and observations of a grower who is directly involved in this valuable and very necessary program.

THOMAS W. STYER.

Chairman MAHON. I don't think you have emphasized enough that the main benefit of this program, is that it helps the consumer, the people, who produce the crops. It is good for them from that standpoint, but the more important thing, it seems to me, from the standpoint of public funds, is that it helps the consumer. It helps the environment. It cuts down on contamination. I think that ought to be very strongly presented to this committee. You might make some further reference to that aspect of the matter.

After all, we are interested in the great majority of the people. This is to their advantage to use less chemicals, less insecticides, and do a better job of producing the crops and less contamination and less hazard to health.

Mr. STYER. That is very true. That's the reason I brought out the reduced fuel usage.

Chairman MAHON. That's a good point.

Mr. STYER. Also, the spraying of pesticides in the local area.

Mr. BOLAND. The reduction of spraying is from 18 to 12, you indicated. What was the cost saving there?

Mr. STYER. We saved approximately $10- to $15,000 in our total operation. This is chemicals saved, fuels saved.

Mr. MAHON. When I eat an apple, I like to think I am exposed to a minimum of chemical, if I eat it without peeling.

Mr. STYER. I don't blame you.

Mr. BOLAND. And a minimum of pests, of course. When you bite into it and see only half of the worm, you wonder where the other half has gone.

Mr. STYER. That's how you get your protein, you see.

Mr. BOLAND. How many people are involved, to your knowledge, Tom, in Pennsylvania, in this matter? What section of Pennsylvania are you from?

Mr. STYER. The Philadelphia area.

Dr. Hull can answer that better than I. He works with that area.

Dr. HULL. I would say in Pennsylvania 95 percent of the growers in Pennsylvania are using some type of Integrated Pest Management techniques.

Mr. BOLAND. 95 percent of the growers. How many growers do you have? When you talk about growers, what kind of growers?

Dr. HULL. We are talking in Pennsylvania of a production of about 11 million bushels of apples in Pennsylvania, about 100,000 acres.

Mr. BOLAND. Are you just talking about the apple growers?

Dr. HULL. Just the apple growers. Most apple growers grow peaches and pears. All these techniques would carry over into those crops.

Dr. ADKISSON. I thought maybe Dr. Phillips from Arkansas might have a brief comment.

Dr. PHILLIPS. In the State of Arkansas, in one area, 25 miles east of Little Rock, we have accomplished a community wide Integrated Pest Management system that has in effect reduced the amount of insecticide inputs into the environment by 80 percent, has resulted in a decrease of the cost of production of the producers in that area in 1977 by some $32 an acre.

Mr. Chairman, that's what we have accomplished there.

Mr. BOLAND. Bill?

Mr. ALEXANDER. Thank you very much, Mr. Chairman.

I am pleased to hear from Dr. Phillips as well as Dr. Adkisson. Dr. Adkisson is now in Texas, but he is originally from my home county. I might add he is the only witness that has appeared before this Committee that I served on for three years now that doesn't have an accent.

This has been a concern of mine for some time. Poisoning the environment, I think, is a concern of all of us, especially those of us that serve on this Committee. The pest is an enemy of the farmer. The poisons that the farmer uses in order to irradicate the pest is an enemy of the environmentalist.

Now, this is a program that makes an alliance between those who produce food and those who are concerned with preserving the environment. It is one of the unique catalysts that I have seen that bring farmers and environmentalists together in an alliance rather than pitting them as adversaries which we so often see.

I believe that there is a natural alliance between production of food and preservation of the environment. I am proud that we have two Arkies associated with that program. I will do what I can to support it.

Thank you very much, Mr. Chairman.

Mr. BOLAND. I take it various pests impact various products in a number of ways, so a program like this addresses itself to, I would presume, a great number of pests, does it not?

Dr. HULL. Yes.

Mr. STYER. Yes.

Dr. PHILLIPS. Yes.

Mr. BOLAND. Can you give me a total number of pests that it addresses itself to?

Dr. ADKISSON. I can speak for cotton. We address about 15 insect pests in cotton, innumerable weeds and grasses and several species of nematodes and about three plant diseases. I would have to defer to my colleagues.

Dr. HULL. On apples, we try to control or must control every year 15 to 20 different insect and mite pests and 15 to 20 different diseases.

Mr. BOLAND. You indicated you started with two units and are now up to 20 on 8,000 acres a unit, which would bring it up to 106,000 acres.

How many actual farms are involved here? Would that be just 20 farms that would be involved?

Mr. ANDERSON. No, sir. Each of these integrated pest management units are made up of a significant number of farmers. I would say they would average probably 25 to maybe 30 farmers per unit.

Mr. BOLAND. Oh, per unit?

Mr. ANDERSON. Yes. In our area they will cover possibly two counties where these farmers go together and farm their integrated pest man-

agement unit, elect a committeeman to govern those activities that go on within that. They collect the money from the producers, so much per acre. They fund that into the Texas Pest Management Association that pays all the wages and the salaries of the scouts and the travel costs.

Mr. BOLAND. With the 20 units, you might have as many as 500 farmers in the participating area?

Mr. ANDERSON. Yes. That is possible.

Dr. ADKISSON. Those units were set up to be demonstration units to demonstrate to farmers what they can do. I would estimate in Texas we have nearly two million acres of cotton in some form of integrated pest management and about three million acres of grain sorghum. The fallout benefit around this has influenced a tremendous number.

Mr. BOLAND. Dr. Hull?

Dr. HULL. I have two comments I want to make.

Apples rank sixth in the country as far as total volume of pesticide used, but rank first in the amount of pesticides used on a per acre basis. Seven years ago when this program started in 1971, 1972, a lot of growers were spending $150 an acre for pesticides. Now with the cost—even with the cost of inflation of pesticides, a lot of growers are only spending $60 per acre for pesticides because of that program. Since we have gone onto this program, we haven't lost one pesticide due to resistance through this program.

Back in the 1960s, we were losing one pesticide a year due to resistance. I don't think I would be far out of line in saying if we had to go back to the old way, many growers would go out of business.

Mr. BOLAND. During the past six fiscal years, the National Science Foundation and the Environmental Protection Agency have been funding this program. Why doesn't the USDA support the project with direct funding? Obviously, this is a widely recognized successful program. I get the feeling that EPA feels that is more the responsibility of USDA and the staff support and funding should come through the United States Department of Agriculture. What's the response to that?

Dr. ADKISSON. We feel that the United States Department of Agriculture does support this program. We hope and believe they are going to fund it in part. We think they have responsibility for agricultural production research.

Mr. BOLAND. Are they actually funding it now?

Dr. ADKISSON. No, sir.

Mr. BOLAND. They are not?

Dr. ADKISSON. No, sir.

Mr. BOLAND. Well, that's the answer then.

Mr. ALEXANDER. Mr. Chairman, may I speak to that?

That's an interesting question you asked, one that I thought of also. I think it raises the traditional division of jurisdiction between people at USDA as they perceive their role and people at EPA as they perceive their role.

Before this project, I know of no program where they have worked together in unison and in an alliance to accomplish a mutual goal. Both Departments, both agencies, should certainly be interested in this program and should support it in whatever roles are appropriate. If it is a budget that is necessary, they should be asked to do so. Certainly one agency should not participate to the exclusion of the other.

Mr. BOLAND. I think you made a good point, Bill, with reference to the alliance that has been accomplished here between the users and the farmers and the environmentalists. I suppose it can be said that perhaps the environmentalists are less suspect of the EPA than they are of the Department of Agriculture. That may be one good reason for keeping it in the EPA. I am really not an authority on that. I just throw it out as a thought.

Do you have anybody else?

Dr. ADKISSON. Dr. Newsom, who represents soybeans.

Mr. BOLAND. From Louisiana?

Dr. ADKISSON. Louisiana State University.

STATEMENT OF DR. L. DALE NEWSOM

Dr. NEWSOM. Much of the expansion in recent years of soybean production has been into the areas where pest hazards are high. That's along the Gulf Coast and South Atlantic States. We have a very large and complex number of pests of different sorts that attack the crops there. If we follow the traditional approach of relying upon insecticides to control these pests, we will inevitably go right down the same road we have been with cotton. This is unthinkable, because with a few million acres versus 50 millions or more, the environmental problems would be just astounding.

The IPM approach is the only approach one can use to prevent this sort of thing from happening. For this reason, we are strongly convinced of the necessity for additional work in this area, especially bringing in our colleagues in plant ecology, weed science, nematology, to work into this program as we have already done in entomology.

Mr. BOLAND. Do you manage the program the same way as in Texas?

Mr. NEWSOM. No. In Louisiana it's managed by a group of professional consultants who are trained entomologists and who have for the most part accepted this IPM approach and are using it very effectively. We have a large percentage of our acreage throughout, not just in Louisiana but in North Carolina, South Carolina, and all throughout the area that has gone into different sorts of approaches to getting their growers to use the integrated pest management concept.

In our particular State, it has been professional consultants who have undertaken the expansion of it along with extension service, which is working actively with them as well as with the growers.

Mr. BOLAND. Incidentally, was Dr. Boyd an entomologist?

Mr. NEWSOM. No. He was the president of LSU, but he was not an entomologist. We would like to claim him.

Mr. BOLAND. Larry?

Mr. COUGHLIN. Let me ask in connection with apples, do you use a pest management unit with apples?

Mr. HULL. No, it's presently on a private pest management consultant.

Mr. COUGHLIN. If we appropriate the money to continue the program, what is your next direction which you would be taking?

Mr. HULL. Right now the program in Pennsylvania is based almost solely on insects and mites, but on apples, we must also deal with diseases and plant problems. What we do to control diseases' effects what we do on insects and mites and vice versa. We would like to totally integrate this whole program.

Mr. COUGHLIN. Would you apply other crops, other than apples?

Mr. HULL. Yes. This would shift over into peaches, cherries, right down the line.

Mr. COUGHLIN. So the money would not just go to maintaining an existing program, but go to extending this into other fields?

Mr. HULL. Right.

Mr. COUGHLIN. As I mentioned, I did bring this up when EPA was before us. They did come back and clarify the record. We appreciate very much your being here on behalf of this program. It is certainly a farsighted program.

Thank you, Mr. Chairman.

Chairman MAHON. Mr. Chairman, may I ask this? Is there a conflict of interest somewhat if a person is in the business of selling insecticides or chemicals? The more he sells I assume the better he would like it.

Is this program supported by the people who handle and merchandise chemicals and insecticides? The object is to get the people to use less and less chemicals or insecticides of one kind or another. Is there a problem here that doesn't appear?

Dr. ADKISSON. I don't believe there is, Mr. Mahon, in that the National Agricultural and Chemical Association does have a policy statement endorsing the integrated control approach. They publicly profess to that. I would have to believe that their association and their leaders do support the concept.

Chairman MAHON. Thank you, Mr. Chairman.

Mr. BOLAND. Gentlemen, thank you very much. All of the statements you have presented to the Committee have been included in the record. They are well prepared statements. Thank you very much for a very interesting discussion on the integrated pest management control program. Good luck to you.

Dr. ADKISSON. Thank you very much.

Mr. STYER. Thanks for your time.

Mr. HULL. We appreciate it.

Mr. ANDERSON. Thank you.

Chairman MAHON. Thank you, Mr. Chairman, for your time.

[The complete statements follow:]

STATEMENT BY PERRY L. ADKISSON

Mr. Chairman and Distinguished Members of the Subcommittee, the opportunity to appear before this Subcommittee to discuss the need for expanded research on integrated pest control is greatly appreciated. It is a privilege to present my views on current problems in agricultural productivity in the United States that hinge in part on crop protection, and more specifically to discuss what some of our State Agricultural Experiment Stations and land-grant universities are doing, and proposed to do, to solve the problem. In order to do this, some perspective should be established concerning both the short- and long-term aspects of problems of increased agricultural productivity in terms of environmental, social, energy, and economic constraints.

For years, U.S. farmers have attempted to maximize yields in relation to costs. To accomplish this, hundreds of chemicals have been used to increase yields, protect crops and decrease labor requirements. These chemicals have been used with little thought concerning the eventual consequences of their release into the environment. Side-effects and long-term impacts of the chemicals on the environment were unknown, or ignored. It was only with the ban of DDT that U.S. farmers began to understand the constraints that society might place on their actions. Currently, there are many conflicts between agricultural needs and environmental concerns involving the use of agricultural chemicals. The problem is: How are

farmers to use these chemicals with least adverse impact on the environment? The present solution largely resides in the regulation of the use of agricultural chemicals. In most cases, the trade-offs that have been made have not pleased the farmers, the environmentalists or the chemical industry. Also, if the Environmental Protection Agency is to continue restricting the use of chemicals needed by farmers they also should support research efforts in the States to provide economically satisfactory alternative methods for controlling pests.

Farmers must learn to live with constraints necessary to protect the quality of the environment and the general public must learn that certain chemical uses are essential to the maintenance of our food producing system. Hopefully, constraints may be devised that will provide a reasonable solution at a relatively modest cost. A key element in this will be research to develop alternatives to the use of chemicals and to provide guidance on the various trade-offs that might be made between the need to protect the environment and the need to maintain and increase crop productivity.

Agricultural productivity in the U.S. over the long-term is faced with equally serious constraints because of the depletion of fossil fuels and the increased costs that this has brought about. Present U.S. agriculture is an energy intensive industry where chemicals and machinery have been used to replace labor and increase crop yields. Current productivity is completely dependent on cheap and readily available supplies of petroleum-derived products to run machinery, pump water, and make the fertilizer and pesticides used to produce crops. Higher living standards for U.S. farm families and ample, economical food suppiles for U.S. consumers have been largely associated, directly or indirectly, with abundant supplies of cheap energy. It is obvious that the future price of energy in the U.S. will be much higher than in the past. Dependence on foreign sources of oil and gas have increased dramatically with imports of oil increasing from 23 percent of the total U.S. consumption in 1970 to 41 percent in 1976. Obviously, this adds a new dimension to the vulnerability of our crop production system to external events. An embargo on oil into the U.S. could be as devastating to crop production as drought or pest attack.

The short-term economic impact of the high costs of energy on U.S. farmers has become disastrous. Prices of major agricultural commodities in the U.S., including corn, wheat, cotton and sorghum, have collapsed to the levels of the 1960's. But the prices that farmers are having to pay for fuel, fertilizer, pesticides, machinery and other imputs into production are at an all time high. As a result, many farmers are facing bankruptcy, others are having extreme problems in financing the 1978 crop, and most are expressing dissatisfaction with present governmental farm programs. All are searching for ways to cut production costs.

As energy costs increase and supplies decrease the effect on agricultural productivity will be even more severe unless alternative technologies are developed that will allow crop production to be less energy intensive. This can be accomplished partly by developing crop plants that are efficient users of fertilizer, water and sunlight and more resistant to pests. Alternative, non-chemical, pest control strategies using self-renewing natural biological control agents and cultural practices can also be substituted for some of the costly, chemical pesticides. With some crops, as will be mentioned later, production costs through implementation of new integrated control systems may be reduced by 30 to 40 percent right now. Even greater savings may be accomplished through development of new technology.

Because of the concern over these problems and with the belief that something could be done to improve the way we produce and protect crops, a group of agricultural scientists (including myself) in the State Agricultural Experiment Stations and land-grant universities proposed a nationally coordinated program of research to develop improved systems of pest management. The project entitled, "The Principles, Strategies and Tactics of Pest Population Regulation and Control in Major Crop Ecosystems", was funded in 1971 by the Environmental Protection Agency, National Science Foundation and to some extent in the first years by the U.S. Department of Agriculture at an average level of more than $2.0 million per year for a 6-year period which will end in October 1978. This project, led by Dr. Carl Huffaker, University of California-Berkeley, has involved approximately 300 scientists of many disciplines (entomology, plant pathology, plant breeding, economics, engineering and systems science) in 18 of the major land-grant universities. The effort centered on cotton, soybeans, alfalfa, stone and pome fruits, citrus and pines has been highly successful as will be borne out by the testimony to be presented by Drs. Phillips, Newsom and Hull.

The "Huffaker" project, and integrated pest control in general, has not been without its critics who say there is little proof that this system of crop-insect pest management will work in increasing yields and profits while reducing dependence on pesticides. The critics also say that integrated systems are too complex for farmers to manage. I believe that these criticisms will be disproved in testimony to be presented today by two farmers, Mr. Don Anderson of Texas and Mr. Tom Styer of Pennsylvania.

I want to mention briefly one program that demonstrates that integrated control will do what we claim and that it can be implemented by farmers. In Texas, a new integrated system of cotton production based on new, early maturing varieties has demonstrated that in many areas of the State cotton may be produced with 50 to 75 percent less insecticide, 80 percent less fertilizer and 50 percent less irrigation water than conventional varieties grown under a high energy-input system. Moreover, yields have been increased with an increase in profits to farmers of more than $100 per acre. This system is in various stages of implementation by many farmers and the only additional requirement on them is that the crop be carefully checked for pest insects on a regular basis so that insecticides are used very carefully and only as absolutely necessary. In the past few months, Texas cotton and grain producers have chartered the Texas Pest Management Association, a non-profit corporation, designed to accelerate the rate of implementation of integrated pest management systems through a farmer organized and administered group.

I make particular mention of this because cotton farmers in other parts of the United States where reliance for protection of the crops has depended on the routine applications of insecticides beginning in early season have suffered devastating losses from the tobacco budworm, bollworm and certain armyworms. Many have incurred insecticide bills of $75 to $100 per acre, or more, and still suffered heavy damage with disasterous economic consequences. A number have demanded that the Environmental Protection Agency suspend restrictions on use of certain insecticides on cotton. In my opinion the permanent solution to this problem is not more regulations or more chemicals but more research on integrated pest management systems that avoid the problem.

The above examples, and those presented by my colleagues today, demonstrate what has been accomplished and shows the promise for the future. However, this coordinated research program will come to an end in October 1978 unless funds are made available for its continuance.

It is time to broaden the above effort, not to end it. The federal government should provide sufficient flexibility in its funding so that nationally coordinated research programs among the state universities of the nature of the "Huffaker" project may be conducted.

In recent months, I have led a group of scientists in the development of a second national project of research which we hope will take up where the "Huffaker" project leaves off. In the old project we dealt mainly with insects. In the new project we want to broaden our efforts to include all pests—insects, diseases, weeds and nematodes in one centrally coordinated project.

This project entitled, "A National Program for the Development of Comprehensive, Unified, Economically and Environmentally Sound Systems of Integrated Pest Management for Major Crops" is proposed for the 4 major crops of the U.S.—cotton, soybeans, alfalfa, and apples—that consume the great amounts of pesticides and are most important to our national economy. The proposed program will extend over a 5-year period and will involve interdisciplinary teams of more than 250 crop protection scientists including entomologists, plant pathologists, weed scientists, plant breeders, economists, engineers and extension specialists. The program will be centered in the State Agricultural Experiment Stations of Arkansas, California, Florida, Illinois, Kentucky Louisiana, Michigan, Mississippi, New York, North Carolina, Pennsylvania, South Carolina, Texas, Washington, and Wisconsin, and will be conducted in cooperation with the U.S. Department of Agriculture. We estimate the cost to be $4 million per year for a 5-year period. The proposal has been submitted to the Environmental Protection Agency, the National Science Foundation and the U.S. Department of Agriculture for funding. It has received favorable response and we trust that the Congress will appropriate sufficient new monies for integrated pest management research to EPA, USDA and NSF so that our project may be fully funded.

In summary, the present system of intensive agriculture in the United States was developed through research which has combined plant breeding, pesticides,

fertilizers, irrigation and machinery to increase yields. The question now is: To what extent does the current situation reflect the diminished ability of science? Put another way, how may science increase agricultural productivity and keep farmers in an economically viable situation in face of ever-increasing costs of energy, pesticides and fertilizers, and without creating extreme hazards to the environment? One way would be to reduce costs of pest control and the losses inflicted to our food and fiber crops by the insect, disease, weed and nematode pests which may rob us of 25 percent, or more, of potential crop yields each year. As an agricultural scientist who is among those seeking a better solution to the problem, I trust the Congress will be able to provide the leadership and the funds required to mount the effort that is needed.

TESTIMONY PRESENTED BY DON ANDERSON

My name is Don Anderson. I am President of the Texas Pest Management Association. The office address for the association is Room 810, 1500 Broadway, Lubbock, Texas 79401. Texas Pest Management Association (TPMA) is an association of the twenty integrated units in Texas and is chartered under the Texas corporate law. Integrated Pest Management (IPM) pilot program have been in operation in Texas for some five years. Our state started out with two IPM pilot units and we now have in place approximately twenty Integrated Pest Management units. The IPM units will average approximately 8000 acres each. The Texas Agricultural Experiment Station has carried out significant research in developing various management tactics to be employed in the Integrated Pest Management system which minimizes the use of insecticides and reduces the cost to the farmer. With the capable assistance of the Texas A&M University Extension System, demonstration programs have been placed around the state working with the local producers in proving up the IPM concept. The fact that we today have twenty operating Integrated Pest Management units is indicative of the success and acceptance of this program by the producers. Cotton has been the major target crop since it used the bulk of the insecticide within our state.

The Texas A&M University Extension Service has played a major role in assisting the Texas Cotton Producers Commodity Organizations in locating and setting up the Integrated Pest Management programs drawing on producer leadership within the area to function in a committee system governing each Integrated Pest Management unit.

The Texas Cotton Commodity Organizations are organized in a statewide association called the Texas Association of Cotton Producer Organizations (TACPO). The commodity organization members of TACPO spent considerable amounts of money and effort in setting up these Integrated Pest Management units within the state. TACPO led the effort to charter our association of the IPM units and there is a twenty man Board of Directors governing the association. Each Integrated Pest Management unit has a qualified entomologist who serves as the nucleus around which the farmers function. Scouts are supervised by this entomologist and are paid by the producer through an assessment per acre. These scouts accumulate information weekly from observations made in the farmers field as to the insect population levels. This information is forwarded to the entomologist for evaluation and recommendations are made to the farmer as to when he should apply insecticides. Records indicate that farmers who participate in the Integrated Pest Management programs not only apply insecticides to their crop fewer times but also have a lower cost in insect control. At the same time, producers are seeing increased yields per acre.

The farmers who participate in Integrated Pest Management programs do more, however, than just count the insects in the field. Cotton varieties are selected based on some immunities to insect damage. Planting dates are selected and quite often a number of farmers within a given area will select a uniform planting date in order to better cope with the insect populations. Fertilizers are selected and where irrigation is used, irrigation is planned to optimize cotton yields but minimize exposure to insect damage. Certain trapping techniques are used to give an early indication of insect population trends. The research people are exploring other alternatives and supplements to make the program of production for the farmer even more efficient and less dependent on insecticides. All of the components of the Integrated Pest Management approach to production have as its ultimate objective, the achievement of insect suppression based

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on sound ecological principles that integrate chemical, biological and cultural methods into a practical program where the profits for the farmer can be maximized. Integrated Pest Management is an approach that emphasizes the use of the natural control factors and de-emphasizes the use of chemical pesticides. This certainly does not mean that we can eliminate chemicals, but the use of chemicals can be reduced by bringing into play the other components of Integrated Pest Management. These components, as I mentioned before, are the pest-resistant varieties, crop timing and rotation, changes in irrigation and fertilizer applications and new tilling methods. All are important components of Integrated Pest Management systems.

Strategies must be developed however, for different areas because of the differences in rainfall and temperature and other growing conditions. Some of the cotton production in Texas is in a high rainfall, high humidity area, in other areas the rainfall is limited and the air is dry. In some of these areas irrigation is applied. For these different areas different programs and strategies are required. These strategies must be developed based on knowledge, not only of the area and the growing conditions, but of the insect pest itself and its ability to survive under certain climatic condtions. This requires intensive research work by the research group and a careful collection of data by Extension personnel. It is quite often a fine line to follow in making the decision as to when you cease to depend on the biological and natural controls of an insect pest and shift to the dependency on chemical application. A careful assessment of the beneficial insect population is very important. Quite often farmers who do not participate in the Integrated Pest Management programs shift to insect control by chemical application too quickly, thereby increasing his own cost and sometimes reducing his yield.

There is still much research to be done in determining all of the components that can be utilized in an Integrated Pest Management system to optimize the benefits to those producers who participate.

Significant breakthroughs have been accomplished through research. The Texas Agricultural Experiment Stations have made concentrated efforts to look at the total production system, particularly in cotton, but there are still a lot of areas to be researched and there are still a number of major crops for which reliable Integrated Pest Management techniques have not been developed. This will require more researchers; the implementation will require more Extension personnel, particularly people who understand and support the basic IPM concept. Even when an IPM strategy is developed, it is very difficult to translate the advantages and necessity to farmers and others including the banker, who often remain bound to the chemical control techniques because that is what has worked in the past. They quite often prefer to rely on the use of pesticides as a preventive, and as a form of insurance, rather than risk making a wrong decision based on actual need. This is fostered by those who traditionally provide the information that farmers use to make decisions on pesticide use. Farmers receive most of their insect control advice from salesmen representing insecticide companies. I have read a recent study of California cotton farming that indicated 70% of the insect problem solving decisions originated with the chemical companies employees. We are striving in Texas through the Integrated Pest Management program to provide the farmer with accurate information about his crop and insect conditions in order that he, with the assistance of a qualified entomologist, can make decisions for his crop in relation to cost, profits and the minimum impact to the natural biological control systems that help keep his damaging insects populations in an acceptable balance.

Integrated Pest Management in Texas is a big step forward, however, it has not been easy. It has been with significant cooperative efforts on the part of the TACPO members, the Texas A&M University Extension Service and the Texas Agricultural Experiment Station. Special appropriations have been obtained from the state for technically trained entomologists in the Extension Service and special research projects for the Experiment Station for IPM. These funds coupled with federal funds have helped to develop the position that we now have in Texas in relation to Integrated Pest Management programs. To be really effective on a large enough scale, more research projects have to be initiated, more demonstration projects should be put in place to show to the farmers the benefits, more educational programs must be implemented to accelerate the transfer of the IPM technology from the research and experiment laboratories to the field. The cooperation in Texas between the Texas A&M University System, the Texas Department of Agriculture, and the producers has been outstanding, however, Integrated

Pest Management today still only covers a small per cent of our agricultural crops. We have approximately two hundred thousand acres being covered under Integrated Pest Management programs. To give you a perspective of the scope of the problem, just in cotton alone there are approximately six million acres planted in Texas. Of that six million acres there would be at least four million acres that could benefit significantly by implementing Integrated Pest Management programs. We are working very closely in the state with the private consultants, but unfortunately the demand for programs is much greater than what can be covered considering the availability of funds for training of scouts and personnel for supervising the Integrated Pest Management programs.

We would make a special appeal for funds for training technical people in the university systems, funds for training scouts for summer work, funds for recruiting young people who are interested in summer work and who would be interested in developing vocational skills in this field.

I will be happy to answer any questions about the Integrated Pest Management programs in Texas that you might have.

STATEMENT OF DR. J. R. PHILLIPS

A COMMUNITY-WIDE COTTON INSECT MANAGEMENT PROGRAM

The Arkansas NSF/EPA (Huffaker Project) provided a vehicle for concentrating effort in a portion of the rain-grown Cotton Belt to better understand the factors that regulate the dynamics of the bollworm complex (*Heliothis zea* (Boddie) and *Heliothis virescens* F). The program has been multifaceted and includes evaluation of the feasibility of a community-wide insect suppression program and producer acceptance of the program.

The community in and around Coy (Lonoke County) was chosen for the study. The community is in one of the best cotton-producing regions in the lower Mississippi River flood plains. Mean annual lint cotton production in the community is about 750 pounds. The bollworm hazard in the area is considered to be one of the highest in the state.

The community boundaries were established on cropping systems and the overall ecological integrity of the area. The community consists of about 50 square miles. Crops in the area are predominantly cotton, soybeans, and rice, with about 12,000 acres planted to cotton. Seventy-two producers whose cotton operations ranged from 70 to 1,500 acres were involved in the community. During the three years before the program began, the community averaged 8 applications of insecticides directed against the bollworm annually.

Data taken in the community during the initial phases of the project indicated that mismanagement of insect control procedures was responsible for most of the bollworm problems encountered. The data also suggested that *Heliothis* populations in July could possibly be tolerated without treatment, with a resultant reduction in the hazard from bollworm in August. The risk involved with not treating the July population was recognized, but this strategy was proposed to the growers in the community at a meeting arranged by Cooperative Extension Service personnel in February, 1976 The response was outstanding; more than 90 percent of the producers received the program favorably.

To the best of our knowledge, less than 50 acres of cotton were treated during July, 1976. On August 6, data indicated that population levels of bollworm eggs and larvae were sufficiently high to necessitate treatment. The recommendation of chlordimeform plus a suitable larvacide was given to the growers, and 90 percent of the community was treated within two days. Check fields in the area subsequently showed that failure to treat at the recommended time resulted in populations of at least 16,000 large bollworm larvae per acre, which is well above the economic threshold.

Populations of bollworm eggs and moths by the 27th of August had reached a level that prompted the recommendation of a community-wide application of chlordimeform. Again the community was treated within two days. No additional treatments were necessary except for about 800 acres of late-maturing irrigated fields that were treated during the first week of September.

The program for 1977 included the use of *Baculovirus heliothis* (Elcar^{R}) against second generation bollworms. The virus was applied July 12 on more than 10,000 acres of cotton. Populations increased to a level that required treatment on August 12. At this point the population was 60 percent or more tobacco

budworm, *Heliothis virescens*. The most commonly used treatments were EPN-methyl parathion or methomyl. As in 1976, no additional applications were needed except for about 1,500 acres of late and/or irrigated cotton that was treated once more.

The seasonal population of *Heliothis* during 1977 was similar to that in 1976. In 1977, however, the population build-up began about 2½ weeks earlier, and more tobacco budworms were encountered throughout the season, particularly after the last week of July.

The feasibility of the community-wide approach to cotton insect management has been demonstrated unquestionably. The insecticide inputs for bollworm control in the community were reduced in excess of 80 percent for the two years. During 1977 this reduction amounted to about $30 per acre.

Much remains to be understood about the ecodynamics of the community. With additional study, community approaches to *Heliothis* pest management can be improved further.

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STATEMENT OF L. D. NEWSOM

My name is L. D. Newsom. I reside at 5064 Perkins Road, Baton Rouge, Louisiana, 70808. I am Boyd Professor of Entomology at Louisiana State University where I have spent 32 years in research, teaching, and administration in the Department of Entomology. My research experience has been in the area of applied entomology and integrated pest management. It has dealt with the insect pests of cotton, sugarcane, rice, sweet potatoes, and for the last seven years soybean.

I should like to discuss, briefly, the need for funding for integrated pest management for soybean. As recently as 1969, there were only eight entomologists in the United States devoting their full-time efforts to research on soybean insects. One of the reasons for such a small research effort was that, until about two decades ago, most of the soybean production in the United States was in areas where insects were a relatively small problem. Since then, a huge expansion in acreage has taken place, much of which has been in the Gulf Coast and South Atlantic States where pest problems are diverse and severe. Acreage planted to soybean in my state, Louisiana, has increased from about 200,000 in 1961 to 2,550,000 in 1977. There will be a substantial increase in 1978.

The situation is essentially the same for all of the plant protection disciplines; entomology, plant pathology, weed science and nematology. Personnel in all of these disciplines have been faced with the necessity for doing a huge amount of research on exceedingly large, serious, and relatively new pest problems that affect soybean production. Impressive progress has been made in developing the necessary basic biological and ecological data required for developing effective integrated pest management systems for the insect pests.

These systems are being accepted and implemented by growers. However, much still remains to be done to develop the level of sophistication needed. More importantly though, growers are recognizing the need for integrated pest management systems that include all pests. They are asking what advantage is there in controlling insect pests only to sustain unacceptably high losses from other classes of pests, pathogens or weeds, for example. They are demanding that research be done toward developing integrated pest management systems that will include all pests in a single system compatible with the overall farm management system.

These demands cannot be met by the traditional unilateral approach to the problems of pest control. A highly cooperative, multidisciplinary approach, of the sort proved effective in the so-called "Huffaker" project is required. In the conventional, unilateral approach to pest problems, personnel of the various disciplines often work at cross purposes. This has occurred in research on soybean when pesticides used for control of plant pathogens and nematodes have stimulated outbreaks of insect pests.

Unless a highly cooperative, well-coordinated, multidisciplinary research effort to develop an integrated pest management system for all pests is developed and

supported with adequate funding, problems of the sort that have been so severe in cotton are likely to develop in soybean. Problems of that nature on a 50 million acre crop instead of one planted on 10 milion acres would be disastrous.

A National Program for the Development of Comprehensive, Unified, Economical and Environmentally Sound Systems of Integrated Pest Management for Major Crops

APPLE SUBPROJECT

Participating Universities—Cornell University, Michigan State University, North Carolina State University, Pennsylvania State University, University of California, Washington State University.

Compiled by Dr. Larry A. Hull, Pennsylvania State University, Fruit Research Laboratory, Biglerville, Pennsylvania 17307.

Apples are grown in almost every state in continental U.S.A. and are an important crop commodity. Apples are a high value crop and the consumer will not tolerate the presence of insects, insect injuries, insect feces and frass, disease lesions, and physiological disorders. Apple production in the U.S. is usually in excess of 150,000,000 bushels with an on-farm value of about $300,000,000.

Nationally, apples rank sixth in total volume of pesticides used (preceded by cotton, corn, peanuts, sorgum, and soybeans), but on a per acre basis apples (and citrus) rank first. Of the 12 million pounds of pesticides used in 1971, approximately 7 million were fungicides, 5 million were insecticides and acaricides, with minimal use of herbicides. The cost for the fungicides and insecticides alone may range from $50–150 per acre depending on the severity of the pest situation.

Apples are attacked by a wide variety of arthropod, disease, and weed pests in the fruit growing areas of the country. Oatman et al. (1964) studying Wisconsin apple orchards, reported that there were over 100 species of arthropod pests attacking apple trees or their fruits. However, only 43 were of economic importance, and less than 10 were serious pests. At least 15 diseases of apple are considered to be potentially limiting factors in the production of high quality fruit and require control measures annually. To combat these arthropod and disease problems, growers must apply 6 to 12 protection spray applications involving combinations of pesticides throughout the growing season. When weeds, mammals, and physiological disorders are added, the number of potential pests which occur in these relatively stable agroecosystems is increased by at least 1 order of magnitude.

During the past quarter-century, considerable research effort has been made in the U.S. to develop integrated pest management (IPM) systems for apple pests. Basically, these systems have emphasized the use of natural biological control agents for regulating phytophagous mite populations attacking apples coupled with selective chemical control of the other pests (Hoyt and Burts 1974, Croft 1975). Considerable advancement has also been made with other pest arthropods and diseases (Hoyt and Gilpatrick 1976, Anon. 1977), but alternative tactics for controlling weed pests and mammals have been more difficult to develop. Through a US/IPM program, known as the "Huffaker Project", much understanding and increased potential for pest management on a predictive basis has been achieved for several pests attacking apple. For example, mathematical models of the fruit tree, and several key insect and major disease pests have been constructed and validated (Asquith et al. 1976). This project has demonstrated that insect and disease pests of apples can be controlled with much lower amounts of pesticides, while maintaining equal or higher yields with increased profits to growers, lower use of energy supplies with reduced damage to the environmental and less hazard to the general public.

The current IPM programs in the states of Washington, Michigan and Pennsylvania were initiated back in the 1960's. At present over 50 percent of the acreages in these states are using IPM tactics. In Washington, at least a 50 percent reduction in total pesticide usage has been accomplished mainly as a result of the IPM programs for mite control. In Pennsylvania, IPM programs have resulted in orchard pesticide usage reductions of approximately 80 percent in miticides, 50 percent in insecticides and 25 percent in fungicides. Similar reductions have also been experienced in Michigan (Croft 1977).

While considerable progress has been achieved in developing new prototype systems of multidisciplinary management for apple pests, we are still at the

initial stage of development of a total IPM system for this crop. The IPM systems developed so far for apples are essentially restricted to one type of pest, mites. But growers are rarely faced with a single pest problem. They must deal with complexes of pests—insects, mites, diseases, nematodes, weeds, mammals, and nutritional disorders. The control measure used for one pest may cause the outbreak of other pests and result in even greater pest problems. There is a great need to accelerate research on alternative pest control strategies. The means for conducting this type of research are just now becoming available through the developments in computer modeling which can quantitively describe these complex systems by separating them into discrete components. There is especially a need for a multidisciplinary approach involving applied scientists to take advantage of those improved methods which have been developed thus far through the efforts of the Huffaker project. These efforts will further develop IPM systems for an entire crop production system and lead to the improvement of a crop management system for apple.

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SELECTIVE SERVICE

WITNESS

HON. BERKLEY BEDELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IOWA

Mr. BOLAND. We turn to the Honorable Berkley Bedell of Iowa. You appear here with reference to the Selective Service System.

We appreciate your patience. People come a long distance to testify before this committee. Consequently, we like to give them as much time as we possibly can.

Thank you for your patience.

Mr. BEDELL. No problem, Mr. Chairman. I was able to get some work done.

I am certain that almost everyone that comes before your committee, Mr. Chairman, is asking for more money.

Mr. BOLAND. You are asking for less?

Mr. BEDELL. I am here to ask for less money for one of our bureaucratic establishments—the Selective Service System. I would ask that my statement be made a part of the record. I would like to pull parts of it from it, if I might.

Mr. BOLAND. Fine.

Mr. BEDELL. In 1917, a period of 110 days lapsed from the enactment of a draft bill on May 18th and the first inductions on September 5th. No standby system or formal contingency plans existed for mobilization prior May 18. Yet, even with the primitive communications and data collections of that era, it took less than four months, starting from scratch, to induct individuals into the armed forces.

Between the wars, a small interservice coordinating committee, together with about 100 military reservists, formed a nucleus which continued to study and update plans for the reactivation of the Selective Service System. Based on the work of this relatively small group of individuals, World War II induction commenced more rapidly than that of World War I.

The Selective Service Training and Service Act of 1940 was passed on September 16 of that year. On October 16, some 16,500,000 men were registered, and inductions began in November.

Thus, the time lag from the enactment of authority to first inductions had been cut in half between the two wars, from four to two months. This had been accomplished by the use of an almost minuscule standby planning organization—composed of 100 Reserve Officers and a few hundred more National Guard officers—and without the maintenance of any standby machinery whatsoever.

Thus, assertions that massive conscription in time of national emergency would be chaotic or impossible in the future without the maintenance of a Selective Service organization are contradicted by historical experience.

Although inductions ceased during 1949 and 1950, the Selective Service System remained in operation with registration, classification, and physical examination of eligible young men continuing. Nonetheless, it still took 67 days from the resumption of induction authority to the first inductions upon the involvement of the United States in the Korean War. This was four days slower than in 1940 when there was no standby mechanism at all.

Mr. Chairman, I have spent some time looking into what the Selective Service System does, and quite frankly, I do not think that they are doing anywhere near the work that would justify the $6.8 million appropriation they received in FY 1978, let alone the $9.5 million they have requested for FY 1979.

In the first place, the Selective Service System cannot prove that its plan for mobilization is either viable or possible to implement.

When you ask Selective Service officials what they spend most of their money on, the answer is preparing and updating plans for reactivating and implementing a draft, should the need for one ever arise.

There are detailed state plans—they even specify the number of chairs, tables, and pencils required at each of the local boards. But although the Selective Service System has claimed that these plans need to be continually updated to allow for reconstitution readiness at all times, in reality, the only thing that has been changed is the insertion of the new Reserve Officers' names into the front of the plan.

It seems that the plans at present adequately represent the situation in each state for the effective establishment of the local boards to take place and need very little updating at all.

In sum, Mr. Chairman, I think there is a very poor argument advanced for the need for all this money to be spent on the Selective

Service System at the present time. Undoubtedly, we need plans for reviving the draft in the event of a national emergency, but such plans have already been prepared and updating them requires only a very small amount of work, probably by only a few people.

Certainly, there is no need for the bloated system we now have.

In addition, I believe there is no justification for an increase in the appropriation for the Selective Service System for Fiscal Year 1979. An increase in the number of regional offices, which Selective Service officials are proposing, will only add to the bureaucratic paper-shuffling of this organization, while providing no positive contribution to our preparedness capacity.

And beyond that, I suggest that the independent Selective Service System be abolished and that its responsibilities be transferred to the Department of Defense where its functions could be accomplished more efficiently, and at a fraction of the cost.

[The prepared statement of Mr. Bedell follows:]

Mr. Chairman, I want to thank you and the Members of this Subcommittee for allowing me to testify on the matter of funding for the Selective Service System.

I realize that the amount of money involved here is not great compared to many of the other programs you have to deal with. Nevertheless, I feel that there are taxpayer's funds being wasted on the Selective Service System, and I would like to bring this situation to your attention.

In 1973, when the draft was terminated, the basic bureaucratic structure of the Selective Service System was left intact so that the draft could be quickly reactivated in time of national emergency. Without such a structure, we are told, it would take an inordinate amount of time to create a new draft system from scratch, thereby jeopardizing the ability of the Armed Forces to defend the country.

The past history of the Selective Service does not support this rationale. Historical evidence demonstrates absolutely no correlation between the existence of a Selective Service bureaucracy and the time required to induct men into the Armed Forces. In 1917, a period of 110 days elapsed from the enactment of a draft bill on May 18, and the first inductions on September 5. Absolutely no standby system or formal contingency plans existed for mobilization prior to May 18. Yet, even with the primitive communications and data collection of that era, it took less than four months, starting from scratch, to induct individuals into the armed forces.

Between the wars, a small inter-service coordinating committee, together with about 100 military reservists, formed a nucleus which continued to study and update plans for the reactivation of the Selective Service System. Based on the work of this relatively small group of individuals, World War II induction commenced more rapidly than that of World War I. The Selective Service Training and Service Act of 1940 was passed on September 16 of that year. On October 16, some 16,500,000 men were registered, and inductions began in November. Thus the time lag from the enactment of authority to first inductions had been cut in half between the wars, from four to two months. This had been accomplished by the use of an almost miniscule standby planning organization—composed of 100 Reserve Officers and a few hundred more National Guard officers—and without the maintenance of any standby machinery whatsoever. Thus, assertions that massive conscription in time of national emergency would be chaotic or impossible in the future without the maintenance of a Selective Service organization are contradicted by historical experience.

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Mr. Chairman, I have spent some time looking into what the Selective Service System does, and quite frankly I do not think that they are doing anywhere near the work that would justify the $6.8 million appropriation they received in FY 1978, let alone the $9.5 million they have requested for FY 1979.

In the first place, the Selective Service System cannot prove that its plan for mobilization is either viable or possible to implement. They are unable to measure the capacity of their planning and the efficacy of their training in the event of a national emergency.

When I sent one of my staff members down to the Selective Service office here in Washington earlier this year, we found that only a few individuals had actual work that needed to be done. In fact, there were only about 40 people there at all, out of a total work force of 65 salaried employees. Selective Service officials had no explanation for this high absenteeism.

When you ask Selective Service officials what they spend most of their money on, the answer is preparing and updating plans for reactivating and implementing a draft, should the need for one ever arise.

There are detailed state plans—they even specify the number of chairs, tables, and pencils required at each of the local boards. But although the Selective Service System has claimed that these plans need to be continually updated to allow for reconstitution readiness at all times, in reality the only thing that has been changed is the insertion of the new Reserve Officers names into the front of the plan. It seems that the plans at present adequately represent the situation in each state for the effective establishment of the local boards to take place and need very little updating at all.

Currently, the training of the Reserves takes up approximately one-half of the money allocated to the Selective Service System. A sizable part of this amount, $767,000, is used for a two week training session for the 715 Reserve officers. This training does not take place on location, as one might expect, but on military bases in ten locations across the country. Thus the military officers do not become familiarized with their specific area, but work on their state plans in a classroom atmosphere. When you ask them what they do during those two weeks, Mr. Chairman, they tell you the same old thing: they simply update the existing plans and practice simulated exercises. I just do not believe that there is really much work to be done here and I fear that the money spent on it serves merely to allow several hundred officers to get in enough time to qualify for higher retirement benefits.

In sum, Mr. Chairman, I think there is a very poor argument advanced for the need for all this money to be spent on the Selective Service System at the present time. Undoubtedly we need plans for reviving the draft in the event of a national emergency, but such plans have already been prepared and updating them requires only a very small amount of work, probably by only a few people. Certainly there is no need for the bloated system we now have.

In addition, I believe that there is no justification for an increase in the appropriations for the Selective Service System for Fiscal Year 1979. An increase in the number of regional offices, which Selective Service officials are proposing, will only add to the bureaucratic paper-shuffling of this organization, while providing no positive contribution to our preparedness capacity. And, beyond that, I suggest that the independent Selective Service System be abolished and that its responsibilities be transferred to the Department of Defense where its functions could be accomplished more efficiently, and at a fraction of the cost.

Mr. BEDELL. Mr. Chairman, I have visited the Selective Service headquarters here in Washington myself. I did that over a year ago.

At that time besides maintaining the selective service system, they were also working with the veterans who had been granted amnesty who had fled to Canada and whom the President had given amnesty to, and they had a fair amount of work to do.

In addition to the people in Washington, they also have some 700-plus reserve officers in reserve units across the country, and the only thing these reserve units do is to stand by in case the draft is instituted.

You cannot be a member of one of those units unless you are an officer. They have 48 training sessions per year. That can be either weekly or combined so they are monthly meetings of longer periods. I called around and talked to some of those officers. I asked one, "What do you do at your meetings?"

He said, "What we do is review the regulations."

I said, "Are those regulations quite complex?"

He said, "No, not particularly."

I said, "Well, what do you do once you understand the regulations and are knowledgeable about them?"

He said, "Well, then what we do is review the changes in the regulations."

Now, to me, Mr. Chairman, we hear a lot about cutting down on the bureaucracy, eliminating some of the agencies for which we have no use.

It seems to me it is very clearly documented that this is a case in point. I know those people are going to be screaming that indeed, they have got to have their jobs, that we have to keep them there because of the great service they perform. But it seems to me we members of Congress have an obligation to see things are done in the most efficient way, to eliminate bureaucracies that are not needed in our government.

I understand that this subcommittee is going to have someone testify from Uniformed Services. I am sure they will be saying we have to keep these people on, but I can see no purpose whatever for those reserve units except to help some reserve officers get retirement benefits.

Now that would be fine if we didn't have need for people in our general reserves. When we do, it seems to me, it makes sense to transfer them to regular reserve units where there is indeed a need for more manpower.

I appreciate the opportunity to appear before you.

Mr. BOLAND. Thank you very much, Congressman Bedell.

Bob?

Mr. TRAXLER. Every plan is merely a piece of paper until it is executed. Do you think if we were to eliminate this budget that there would be personnel who would fill those slots, and to get the plan in operation if that became necessary?

Mr. BEDELL. There is no question. They have already done it before. I come from a rural area, and while this may not be true everywhere, it is my belief that the people who are going to make the draft work are the local people. They always have been.

It has been local draft boards that have made this system work. It would be no problem in my district to have responsible people agree to serve on a standby basis as local draft boards and meet maybe twice a year.

I think that would be all that would be required, for them to be ready. If the draft was to be instituted, I think those people would know better than the reserves as to how many pencils they are going to need, or what facilities might be available to be rented locally, or what could be done in case there was need for a draft.

That would not cost anything.

Mr. TRAXLER. Somebody would have to, in a sense, oversee their selection. They would be making recommendations. They would file some contingency plans. There has to be some waste paper basket where those can be dropped into. Don't we need some personnel?

Mr. BEDELL. I think we do. I think we probably need something similar to what we had back between the wars.

At that time, roughly 10 full-time people, and roughly, 100 people who served in the reserve had the capacity to do that. I think you need that. I tend to think it ought to be in the Defense Department.

It seems to me it is a critically important thing for the Department of Defense to be able to get the manpower they need. I can't understand why it would be a separate unit.

Mr. BOLAND. I am not sure they want it.

Mr. TRAXLER. I am not sure we are going to give it to them.

Mr. BEDELL. It seems to me if you cut this budget to $1 million or $2 million so they had the money to get the skeleton which I agree they need—there would be no need to have those reserve units meeting weekly or monthly with absolutely nothing to do as near as I can tell, except to study regulations so that they will be ready in case the draft is needed, particularly when I believe you have that voluntary containment much more effectively available from the local communities.

Mr. TRAXLER. Thank you very much.

Mr. BOLAND. This, as you know, is the Administration request. In 1976, the Administration made the decision to put the Selective Service System in a standby posture ending registration. That decision was endorsed by the Secretary of Defense, the Joint Chiefs of Staff, and apparently by the Administration.

There were some misgivings about it, particularly with some members of this committee, and also the Armed Forces committee. But now, the Department of Defense suggests that the deep standby position of the Selective Service will not meet the new Department of Defense requirements, and that's the reason for the request by the Administration.

You point to 1917. I am not sure that—that was 61 years ago—it is comparable to the problems we have today. The task that is imposed upon Selective Service by the change in manpower requirements is M. plus 30 days. That is dramatically different from the previous requirement. That is a very important element, of course, in the ability to deliver inductees within a period of time that the DOD commands or desires.

You would not disagree with that?

Mr. BEDELL. I absolutely agree. The question is how we do it most effectively and the quickest. The fact is now they say with their present system it would take, I believe, 110 days to get people.

In World War II, we were able to do that in 60 days, and of those 60 days, 30 days were required for registration, and 30 days additional for induction. I think the 30 days limitation proposed today is very, very questionable unless you are going to have registration already in place, but beyond that it is my contention that the system we have got now simply does not make sense in terms of trying to do it quickly.

It seems to me that the record clearly shows that we did it in 60 days before, and now they say that they are going to move it from, I believe, 110 days to M. plus 30. If they want to, fine; but I can't understand why they are going to keep all those 700-and-some reserve officers out there meeting weekly or monthly with absolutely nothing to do when we could set up a system which would be able to move more quickly.

Mr. BOLAND. Of course, that's not the testimony of those who appeared before us from the Selective Service System or information that comes to us from the DOD, that those reserve officers are sitting out there doing nothing. You may have found some that were doing nothing.

Mr. BEDELL. What could they be doing, Mr. Chairman?

Mr. BOLAND. The testimony is that they are engaged in work which is productive for the Selective Service System.

Mr. BEDELL. Did they testify what it could possibly be? I can't understand what it could possibly be.

Mr. BOLAND. You found out they were doing nothing, I guess.

Mr. BEDELL. Yes, they are meeting. They are meeting and studying the regulations and then changing the regulations, and studying the changes.

Mr. BOLAND. Well, that's very difficult to do. [Laughter.]

You probably have a reserve officer on your staff now. He was not one of these reserve officers.

Mr. BEDELL. He is here with me today.

Mr. BOLAND. I see him there.

Mr. BEDELL. If I might, I am not opposed to the Reserves in any way. I do not take a stand on whether we should have a draft. I think we may well need it.

My contention is that it doesn't make sense for the taxpayers to pay people for agencies which are not contributing, as near as I can tell, towards the solution of problems.

Mr. COUGHLIN. I should know this, but is this conclusion the result of a study within your committee or an independent project?

Mr. BEDELL. Independent.

Mr. BOLAND. Thank you very much. You are always an interesting witness. You are an interesting personality on the floor. Thank you very much.

Mr. BEDELL. You bet.

PORTLAND/VANCOUVER VA HOSPITAL

WITNESS

HON. LES AUCOIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

RON DREESZEN, STATE ADJUTANT, AMERICAN LEGION, STATE OF OREGON

DR. DICK JONES, PRESIDENT OF UNIVERSITY OF OREGON HEALTH SCIENCE CENTER

IRA C. KELLER, BOARD CHAIRMAN, WESTERN SALES COMPANY

Mr. BOLAND. We turn now to our colleague from the State of Oregon, Les AuCoin.

Why don't you move up to the table. You may handle this any way you want.

Mr. AUCOIN. Mr. Chairman, I guess I should say hello again. I should also say to you and the Committee that you have been patient, particularly on this project. I want to thank you and the Com-

mittee for the diligence you have shown in dealing with the Portland-Vancouver Replacement Hospital.

I want to say a few things briefly. My testimony was given last year and stands. Then I would like to introduce the three witnesses I brought with me that will speak on the issue.

I think all of us will welcome the resolution of this matter. Last year when I was here and testified in support of the VA's plans for this new hospital, I supported the Marquam Hill site. I still do.

Since the time I testified before this Committee last year, I have read literally hundreds of pages of additional reports including, Mr. Chairman, one by your own surveys and investigations staff.

I am more convinced than ever that the Marquam Hill site is the best place and the best choice for the federal taxpayer's dollar.

I think the witnesses who will be testifying will bear this out in their testimony.

Moreover, Mr. Chairman, while the decision on where to build has put this new hospital in limbo, the need for it has become even more critical.

My office gets almost daily calls from patients and from staff reporting the current crisis. Most often these problems result from physical plant breakdowns at the hospital—for instance the other day when a section had to be closed because a water main broke.

I received a letter today from a Mrs. Florence Cogle, who is currently a patient in the hospital in isolation following surgery. I must quote from her letter in your hearing today.

She said in her letter: "I see so many things that are in such drastic need here. The night before Easter in the evening we had a pipe break in the utility room. It flooded the whole front hall. There was no one able to be called, nowhere to shut the water off. The nurse and two other girls got all the blankets, sheets, et cetera, to keep it out of the patients' rooms. They worked for two and a half hours and finally the fire department came to the rescue. The next night they had two sinks break in two different rooms."

Mr. Chairman, the conditions in this hospital are astounding and they need to be corrected as soon as possible. I want to recall, if I may, a comment I made in testimony here last year. That is this:

Mr. Chairman, I do not under any circumstances think that it would be wise for this Committee or for the Congress to get into the business of site selection for VA hospitals.

Mr. BOLAND. I don't quite agree with that. That's your position.

Mr. AUCOIN. I am testifying as to my position.

Mr. BOLAND. I don't quite agree with that. I think there may be an instance which could easily arise where the site selection on the part of the VA would be intolerable or not advisable. The site selection is exactly what the Veterans Affairs Committee is concerning itself with, is it not?

Mr. AUCOIN. I know that Committee has introduced legislation. I believe it has passed the House. It has not been enacted into law. It would give the Congress the authority to get into the business of site selection.

I don't quarrel with the assertion that Congress should prohibit drastic mistakes from being made. I think we have the obligation to do that. We hold the purse strings. We appropriate the funds.

But I think it is quite a different matter, Mr. Chairman, to set a precedent that could conceivably give rise to other demands for site selection which would create examples such as we have seen in facilities paid for by the federal taxpayer. An example is New Orleans.

I think there was a Department of Defense Hospital located there. Site selection was designated by the Congress. I think it has a bed capacity of several hundred beds; and if I am not mistaken, Mr. Chairman, I think 10 to 20 percent of those beds are used today.

That might be a great monument to somebody, but I don't believe it is good health care for the patients it was designed to attend to.

Mr. BOLAND. That is generally probably so. I think you agree if there was a particular instance where the site selection was one that ought not be approved, I should think you ought to agree Congress ought to have that oversight and should express its opinion with reference to it?

Mr. AUCOIN. Wherever this Congress sees a gross error about to be committed by the VA, I have no objection to that. I certainly would not want to stand before your Committee today and suggest or even imply that the VA in this instance is about to commit that kind of a mistake.

Considering the weight of testimony that has come in, even though there is a disagreement, it cannot be suggested that we have a clearcut case of drastic error on our hands in this instance. I just do not believe that point can be sustained.

Mr. Chairman, my purpose is not to repeat points, although I will be pleased to answer further questions that you or members of the Committee have.

I do want to introduce the three witnesses to shed some light on this subject.

Again, all of us will be pleased to answer your questions.

Mr. COUGHLIN. Mr. Chairman, before you introduce the witnesses, could I ask one question?

Mr. BOLAND. Sure.

Mr. COUGHLIN. There is a new option that appeared at least in some of the things we saw which was a no-go option at all which is recommended by your HSA.

I was rather amazed to see that. Do you know the rationale of the HSA which is supposed to be looking at overall hospital capacity in the area?

Mr. AUCOIN. I do not understand. I cannot fathom the rationale or the logic on the part of any person or agency in the metropolitan area who would advocate a no build option. That would say the conditions I described here would be permitted to continue.

As this Committee is continuing to fund other Veterans Hospitals I don't think we're going to suddenly turn the entire VA medical history and program around and adopt a mainstream policy in Portland, Oregon. I don't think that is in the cards.

Mr. COUGHLIN. The HSA was set up to look at this whole picture.

Mr. AUCOIN. Larry, I have to be candid with you and say there are

people in Portland who believe the whole Veterans Hospital system does not make sense. They say we ought to be mainstreaming veterans everywhere in every community all across the land. They also say we should not have Veterans Hospitals.

My contention is this: If that policy decision is made, let's make it on a broad based basis and face the issue in national terms. Let's not select one community in the country and pretend we are going to change national VA policy. We are not.

If we pretend we are, we are going to relegate these veterans to the kinds of conditions that I have mentioned.

I think that is reprehensible.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. AUCOIN. Mr. Chairman, I wanted to introduce Mr. Ron Dreeszen, the State Adjutant for the American Legion, also representing the United Veterans Groups of Oregon, a group that has been on top of this in Oregon for some 15 years.

I would also like to introduce Dr. Richard Jones, the Acting President of the University of Oregon Health Sciences Center; and finally—and this is a correction from your witness list—I am pleased to introduce a recognized civic and community leader in Portland, Mr. Ira C. Keller, President of the Western Sales Company.

He is a member and immediate past chairman of the University of Oregon Health Sciences Center Advisory Council.

Thank you, Mr. Chairman, for allowing them and me to come before you today.

Mr. BOLAND. Thank you, Les.

We are delighted, to have Mr. Dreeszen, who was past commander of the Oregon American Legion, presently serving as the Adjutant, here today.

STATEMENT OF RON DREESZEN

Mr. DREESZEN. Thank you, Mr. Chairman. It is a pleasure for me to appear this morning. I represent today the nationally chartered organizations. I shall try to go through my testimony quickly, and bring out a few points as I go. I will try to shorten this up.

For 15 years the veterans in Oregon have been concerned that a replacement hospital should be built. The present VA Hospital on Marquam Hill has for that length of time been in dire need of upgrading. It continues to get worse.

Each day that this has been ignored has caused great expense in upkeep. The veterans in Oregon have also realized that each day, week, and month that the decision and funding is put off, the cost is extremely accelerated.

Each of the Veterans Organizations in the United Veterans' Group of Oregon has many times in the past gone on record at meetings and conventions regarding the need for a replacement hospital. These resolutions have been made known to our Representatives and Senators. These resolutions are prepared by the appropriate committees of our organizations and are then presented to our elected delegates who, I must emphasize here, have in unanimity voiced support, not only for a replacement hospital, but that it be built on Marquam Hill.

The American Legion of Oregon has passed such resolutions each year at the annual conventions in 1975, 1976, 1977; and just this past Sunday, April 9, 1978, the Executive Committee of the American

Legion, Department of Oregon, did once again unanimously pass a resolution asking that a replacement hospital be built and that the replacement be built as close in proximity as possible to the University of Oregon Health Sciences Center.

I must add that many of those veterans who support the Marquam Hill location for a replacement hospital have been patients there or have had family members or close friends who have been patients at the hospital.

This I would like to emphasize. They did not, nor have they ever taken the VA word as gospel of what is good for the veteran. They made their own decisions.

It happens this time the decision of the Veterans Administration is one they agree with and respect. The expertise of all medical personnel is respected by the veteran; but that expertise which is available to the veteran by the fact that the VA Hospital and the University of Oregon Health Sciences Center are in close proximity cannot be ignored.

From the veterans' standpoint, we feel our action is thoroughly justified. Those veterans needing medical attention understand they have the expertise available. They are better prepared mentally to adjust and agree to needed treatments when they know the best medical advisers are there.

We will all agree, I am sure, that mental attitude has a great deal to do with the success or failure of any medical crisis. Those veterans whom I represent—and I most respectfully submit that I represent the vast majority of the Oregon veterans—know that cooperation is contingent upon closeness of these two facilities.

They also know that some opinions have simplified travel on paper and clocks; but many of them, as well as myself, have been stuck on bridges and in traffic jams, and we know you will not travel to the other mentioned site in a simple seven, twelve or fifteen minute time span from the University of Oregon Health Sciences Center.

A great deal has been said regarding savings on construction costs. We believe other costs should be involved in the conversation. We do not consider ourselves construction-cost experts, but do believe that the difference in cost is exaggerated to benefit some people's opinion. We accept the estimate of experienced expertise as represented by the VA engineers and consultants as being well thought out and justified.

Transportation of both patient and doctor is of definite importance and, therefore, so is time. Time may be of more importance than money to the veteran patient and also the doctor whose expertise is in great demand.

Another item to be considered in the framework of time is the hospital volunteer. At the VA Hospital in Portland on Marquam Hill, volunteers contributed 11,324 hours in 1977. These volunteers worked in many capacities filling in for people who would otherwise have to be paid by the VA.

Approximately 983 hours of this total was for entertaining patients; the rest was work necessary to move the patient from entry to exit of hospital health care. These volunteers have indicated, to me and others, by almost complete unanimity, that they desire a replacement hospital be built in as close proximity to the present hospital as possible, and have also indicated almost 100 percent opposition to the other proposed site, and have indicated no desire to continue as

volunteers at that other proposed site. 11,324 volunteer hours per year is, we believe, something to be considered in cost.

In conclusion, let me submit to this Committee that the people I represent are not politicians, not construction experts, but are indeed biased, biased only in a way which they feel would give their less fortunate comrades the very best medical care.

They join former VA Director Rodebush, former President Gerald Ford, and present Veterans Administrator Max Cleland and his staff in soliciting your approval of funds so badly needed for a replacement hospital, and that the hospital be built in as close proximity as possible to the University of Oregon Health Sciences Center.

My message today must be considered as a sincere request for quality care for people we are sure you consider as quality citizens.

Thank you.

Mr. BOLAND. Thank you very much, Mr. Dreeszen.

I have some difficulty in really believing that those who have devoted 11,324 hours on a volunteer basis at Marquam Hill, have indicated no desire to continue as volunteers at any other proposed site. I can't believe that that would be the position of people who are volunteers.

Mr. DREESZEN. Those are the ones that I have talked to, Mr. Chairman.

I talked personally to many of them.

Mr. BOLAND. Well, that would really surprise me. I would really be disappointed if that were so.

You know. You are there. You talked with them. I guess that we have to take your word for it. I just can't believe that volunteers who offer their services for veterans—which is an activity that requires dedication, concern and spirit and sometimes affection would not address themselves to those areas at any other proposed site that might not be convenient to them.

I will accept your figure for the record. It seems to me that that would not be so.

I don't think people are made that way frankly, especially if a hospital is only five miles away from the present institution where they perform their volunteer service.

But you will stand on that anyhow. We will accept it for the record.

Larry?

Mr. COUGHLIN. No questions, Mr. Chairman.

Mr. BOLAND. Les?

Mr. AUCOIN. I would like to recognize the acting President of the University of Oregon Health Sciences Center, Dr. Dick Jones.

Mr. BOLAND. I have talked with Dr. Jones on a couple of other occasions. I appreciate your position. I also appreciate your persuasiveness and your attitude, too. I don't know, frankly, of a better low-keyed salesman in this area who is so vitally connected with the Health Sciences Center than you.

STATEMENT OF DR. DICK JONES

Dr. JONES. Thank you, Mr. Chairman. I do appreciate this opportunity to present this. We have prepared written statements, Mr. Keller and I, that have been handed to you. We did this in conjunction

with one another. I would like to address certain points out of his written statement which we didn't shift over.

Let me start by making three points. The quality of health care for the veteran patient, of course, is the primary concern that we all have. However, differences in estimates of building costs of the alternate site appears to be of great concern. A third factor which we believe needs to be considered is the ongoing operating costs of the new facility.

I would like to attach briefly on the construction cost difference, addressing myself to material from the end of page 1 to the middle of page 3 of Mr. Keller's written statement: then with time and extent to which you have patience, touch on the other two matters, namely how the close cooperation between the university and the Veterans Hospital contribute to the health care: finally, some comments on the operating costs.

This key question before the Committee about the difference in costs about the building of the two sites, on the one hand the Veterans Administration indicated to you about a five percent differential, amounting to about $8.3 million dollars extra costs for building on Marquam Hill, compared to building on the flat. Your investigative team obtained information while visiting Portland indicating something like $27.4 million: obviously a great discrepancy.

We were concerned, and submitted material from both our investigators and the VA to our vice-chancellor, who has had great experience with the analysis of bids for building on Marquam Hill for our state education system for over a decade.

I have copies of letters that he has prepared, and would appreciate submitting them to you. I would like to highlight a couple of points out of it.

He says generally he believes the comments of the Veterans Administration are correct, and that several assumptions made by the Surveys and Investigations Staff are not valid.

He says the savings attributed to a series of extra charges, attributed to the Hill site and not to the Emanuel site, totaling 4.66 percent are questionable.

Although—he goes on to say—there may be isolated instances where the contractors or subcontractors have loaded bid figures for such factors, we know of none having been done by the contractors representing the large contracting firms in Portland that have done business with the state system for building buildings on Marquam Hill.

We also submitted the material to two contracting firms that had built the last four major buildings on Marquam Hill for the state system of higher education. I have copies of letters from Mr. Trone of Teeples & Thatcher, and also from Gordon Tood, manager of the Portland Division of Todd Building.

You can read this faster than I can state it. It stated that constructions costs for future projects near the University of Oregon Medical School and the existing Veterans Hospital would not be substantially higher than construction costs at sites in other urban Portland, Oregon sites.

We also consulted a controller at one of Portland's largest building construction firms. He regards the $27 million figure in favor of the Emanuel site to be quite unwarranted. There is some information in the written material.

We asked Harry Stevens, architect and cost accountant, who has done cost estimating on many of Portland's large building sites, to review this and give a presentation. Again, I have copies of letters from him. Again, he concurs with what Vice-chancellor Hunderup stated in his analysis. He feels the difference between the two sites is a far better estimate based on factors he knows to be appropriate for building activities in the Portland area.

In fact, one of the contractors indicated that they would have a preference to build on the Hill as far as staging, employee parking, phasing the building in.

I do respectfully submit that information, because I think it may be helpful to you in judging this question about the difference.

Mr. BOLAND. You may submit the information you have, and we will include it in the record.

Dr. JONES. I would like to go to my statement, and only hit a couple of high points, partly because of the hour, and it is presented there in detail. I am afraid if I go through it in detail, I will put you to sleep like I do my students.

Let me say there is a strong interdependence between the university and the Veterans Hospital. I have listed at least seven ways in which the Veterans Hospital and, therefore, patient care in the Veterans Hospital, gains from that.

Our Deans Committee gives quality control advice. The faculty appointments for the VA staff are a strong inducement to draw young, able, middle-aged and older, able staff there who want to be associated with an academic institution.

The medical students, nursing students and residents provide part of the health care, an important and significant contribution, we believe.

The faculty of the university—and I emphasize this—provide an overwhelming majority of consultation to the staff of this Veterans Hospital. This they do on a daily basis, directly moving back and forth.

Special procedures and equipment at the university are used by the veteran patients, such as X-ray and so on, thus reducing expensive duplication.

Joint conferences in continuing education sponsored by the university on the veterans grounds help to upgrade, maintain the medical-dental nursing staff there in an up-to-date status.

Finally, there is sharing of the university libraries and the research facilities which are close by, so these can be used by the staff at the Veterans Hospital, again lessening unnecessary duplication.

We, of course, at the university, benefit from this close association. The clinical facilities of the VA Hospital are available for out students to be trained in. This is a form of federal subsidy for medical education; but the Veterans Administration has, as one of its goals, medical education. We share this mission and goal in common.

Of course, it applies all over the United States at many health science centers, not just Oregon. So we are not speaking to a special federal subsidy in the State of Oregon alone.

Participation of VA staff in the education program are benefits. Researchers interacting between the two institutions support the research activities of the complex.

Finally of benefit to us—and we feel this very strongly—is that students interact from the Veterans Hospital often with a different population of patients than they see in the University Hospital.

We feel our students derive a certain sense of helping and contributing to particularly worthy groups of citizens. That experience helps them to orient into the future their responsibilities to citizens of this state and this country.

I have listed a number of statistics that I think indicate, justify the generalizations I have made about the value of the interactions. I won't go through them in detail. Let me just highlight a couple, though.

As an indicator of quality of care, the qualifications of the staff is an important factor. Ninety-three percent of the physicians of the Portland VA Hospital are board certified. That's an unusually large proportion compared to other VA Hospitals, where on the average 65 percent are board certified.

Most of those that are next to or within a mile of medical schools; certainly above the 60 percent that is the average for other VA Hospitals.

Another indicator, I think, of the high performance of the Portland VA is the annual bed budget, which is $42,277 per bed per year in the Portland facility.

At another one, for example, Seattle, that same bed cost per year is $67,804. Of course, many factors may be responsible for this almost $26,000 per bed per year difference between Portland and Seattle, but we submit that at least one factor must be geographic location.

The Seattle Hospital, as I am sure you know from your investigators' report, is 10 miles away from the medical school in Seattle. Our present facility, of course, is a neighbor of the university.

Finally, the occupancy rate of the Portland VA Hospital is about 82.5 percent, substantially higher than the 70 percent of community hospitals and university hospitals in the Portland area. So it is being utilized at a higher rate.

Of course, their bed stay is longer than in the community hospitals because of the problems; but if we look at a comparable sort of bed, the medicine bed—that is the bed in which medical patients are cared for—we find that in fact the Portland VA Hospital has an average of 6.6-day stay. That is one of the lowest bed stays in the Portland area.

My point is if we look at comparable beds in which comparable kinds of medical problems for patients are treated, this hospital in Portland does very well.

We submit again that the close interaction between our university and that of the Veterans Hospital contributes to that.

Well, there would be added costs. I have listed those in my testimony, such as transportation if the hospital were moved a distance across town. There would be transportation of faculty, students, patients that come up for X-ray treatments, and so forth; or the duplication of very expensive X-ray and other equipment.

There's the matter of wasted time of consultants. We submit that it is between ½ hour and 45 minutes from inside the hospital to inside the hospital, elapsed time. We have some calculations in an earlier report that we submitted to you. We have copies that we can leave with you here.

We have done the calculations of the amount of time that would be wasted in fact in travel.

Finally, we submit that if the facilities are separated, that there will be a requirement for duplication and staff, both on the university's side and on the VA Hospital's side.

Dr. Glomberly, the former president, has estimated that to be on the order of $1 million per year.

With this, Mr. Chairman, I would like to respectfully request that the Committee approve the Veterans Administration's recommendations to build a replacement hospital in Portland, and further urge the Committee to allow the VA to determine the site selection.

I appreciate your allowing me to testify.

[The statements of Mr. Dreeszen, Dr. Jones, and Mr. Keller follow:]

Mr. Chairman and members of The House Sub-Committee on Housing, Urban Development and Independent Agencies.

My name is Ron Dreeszen, a Past Department Commander of the Oregon American Legion and presently serving as Department Adjutant. The American Legion in Oregon, which I represent, is made up of 22,000 veterans of World War I, World War II, Korea, and Viet-Nam. Affiliated with us is The American Legion Auxiliary, which is 11,000 members strong.

Furthermore, as I appear here today, I have been asked to tell you that my words reflect the sincere and determined desires of the United Veterans Group of Oregon, which includes again The American Legion, The Veterans of Foreign Wars, The Disabled American Veterans, The Military Order of the Purple Heart and, last but not least, the Veterans of World War I. That organization passed a resolution on Saturday, April 1, 1978, asking that you be so informed by this speaker.

For some fifteen (15) years the veterans in Oregon have been concerned that a replacement hospital should be built to better serve the Oregon veteran. The present V. A. Hospital on Marquam Hill has for that length of time been in dire need of upgrading. Each day that this has been ignored has caused great expense in upkeep. The veterans in Oregon have also realized that each day, week, and month that the decision and funding is put off, the cost is extremely accelerated. The veterans are also extremely concerned about cost because they, too, are responsible, thinking citizens and taxpayers. The personnel at the present hospital have done a tremendous job in carrying out exceptionally fine medical service under extremely difficult circumstances, and the veterans have been quite vocal in the praise of these people for each one has, from director to doctor, nurse to custodian, contributed greatly under adverse conditions.

Each of The Veterans Organizations in the United Veterans' Group of Oregon has, many times in the past, gone on record at meetings and conventions regarding the need for a replacement hospital. These resolutions have been made known to our Representatives and Senators. These resolutions are prepared by the appropriate committees of our organizations and are then presented to our elected delegates who, I must emphasize here, have in unanimity voiced support, not only for a replacement hospital but that it be built on Marquam Hill. The American Legion of Oregon has passed such resolutions each year at the annual conventions in 1975, 1976, 1977, and just this past Sunday, April 9, 1978, the Executive Committee of The American Legion, Department of Oregon, did once again, unanamously, pass a resolution asking that a replacement hospital be built and that the replacement be built as close in proximity as possible to the University of Oregon Health Science Center.

I must add that many of those veterans who support the Marquam Hill location for a replacement hospital have been patients there or have had family members or close friends who have been patients

at the hospital. They are not unaware of the circumstances. They did not, I say with sincere emphasis, did not come to these conclusions without basis. Furthermore, they do not, nor have they ever, taken the V. A. word as gospel, but have always made their own decisions. It happens that this time the decision of the V. A. is one which they agree with and respect.

The expertise of all medical personnel is respected by the veteran, but that expertise which is available to the veterans by the fact that the V. A. Hospital and the University of Oregon Health Science Center are in such close proximity cannot be ignored.

I list below further outstanding reasons in the minds of Oregon Veterans why this close proximity should be continued.

1) Cancer therapy--All patients requiring x-ray therapy are treated by Medical School faculty members. The V. A. hospital has no super-voltage equipment, and all patients requiring this therapy are treated at the Medical School, which has a Cobalt unit, a two million volt Vandegraph, and twenty-five million volt Betatron, the only one in the city.

2) Surgical care--Faculty members in all of the surgical specialties are available for consultation on either a regular or emergency basis. This gives a depth of skilled surgical backup to the hospital twenty-four hours a day, seven days a week. There is an active neurosurgical service with all professional care given by Medical School Staff. The V. A. Hospital's Eye Service is the major center for the Northwest; the Medical School's specialized equipment, including Argon and ruby lazers, in addition to conventional Xenon photocoagulation, is available because of the close proximity.

3) Kidney transplant--The only kidney transplant programs in the State of Oregon are conducted at the V. A. Hospital and the University of Oregon Medical School. They share personnel, tissue typing laboratory, and have developed a state-wide kidney procurement program.

4) Open Heart Surgery--The capability of doing open heart surgery, started at the Veterans Hospital in 1968, followed planning between the hospital and medical school division of Cardiopulmonary Surgery which culminated in the hospital performing the necessary remodeling and obtaining funds for supporting personnel. The Medical School provides the professional staff. Prior to the opening of this service, it was necessary to send such patients to Minneapolis V. A. Hospital for open heart surgical care.

5) I can only mention other shared and complimenting services in Pathology, Radiology, Nuclear Medicine; in the Clinical Laboratory; in Research; in Education and Continuing Education in Medicine, Nursing, and Dentistry.

6) Furthermore, more learned persons than I have stated the necessity of maintaining a working association between the University of Oregon Medical School and the Veterans Administration Hospital in Portland. Such an association is beneficial to the success of both facilities. The learning process is made much more attractive because of this location.

7) We of, The American Legion and The Veterans' Groups of Oregon are extremely pleased that the Director of the U. S. Veterans Administration has made his announcement that his decision is to build the replacement hospital on Marquam Hill. We are sure that his decision was not made lightly, but with the care of the veteran uppermost in his decision.

8) From the veterans' standpoint we feel our action is thoroughly justified. Those veterans needing medical attention understand that they have the expertise available when needed. They, the veterans, are better prepared mentally to adjust and agree to needed treatments when they know they have the very best medical advisors available. We will all agree, I am sure, that mental attitude has a great deal to do with the success or failure of any medical crisis.

Those veterans whom I represent, and I most respectfully submit that I represent the vast majority of the Oregon veterans, know that cooperation is contingent upon closeness of these two facilities. They also know that some opinions have simplified travel on paper and clocks, but many of them, as well as myself, have been stuck on bridges and in traffic jams, and we know you will not travel to the other mentioned site in a simple 7, 12, or 15 minute time span from the University of Oregon Health Sciences Center.

A great deal has been said regarding savings on construction costs. We believe other costs should be involved in the conversation. We do not consider ourselves construction cost experts, but do believe the difference in cost is exaggerated to benefit some people's opinion. We accept the estimate of experienced expertise as represented by the V. A. engineers and consultants as being well thought out and justified.

Transportation of both patient and doctor is of definite importance, and therefore so is time. Time may be of more importance than money to the veteran patient and also the doctor whose expertise is in great demand.

Another item to be considered in the framework of time is the hospital volunteer. At the V. A. Hospital in Portland on Marquam Hill volunteers contributed 11,324 hours--I repeat because this is important, 11,324 hours. These volunteers worked in many capacities filling in for people who would otherwise have to be paid by the V. A. Approximately 983 hours of this total was for entertaining patients; the rest was work necessary to move the patient from entry to exit of hospital health care. These volunteers have indicated, to me and others, by almost complete unanimity, that they

desire a replacement hospital be built in as close proximity to the present hospital as possible and have also indicated almost 100% opposition to the other proposed site and have indicated no desire to continue as volunteers at that other proposed site. 11,324 volunteer hours per year is, we believe, something to be considered in cost.

I submit to this committee that the following have endorsed the Marquam Hill site in addition to the groups I represent.

The Oregon State Board of Higher Education
The Oregonian - a Statewide Newspaper
The Oregon Journal - a Statewide Newspaper
Channel 2 - K.A.T.U.
The Oregon Statesman - a Salem, Oregon Paper
The Portland Central Labor Council
Robert Straub - Governor of Oregon

In conclusion, let me submit to this committee that the people I represent are not politicians, not construction experts, but are indeed biased, biased only in a way which they feel would give their less fortunate comrades the very best medical care. They join former V. A. Director Rodebush, former President Gerald Ford, and present Veterans Administrator Max Cleland and his staff in soliciting your approval of funds so badly needed for a replacement hospital, and that the hospital be built in as close proximity as possible to the University of Oregon Health Science Center.

My message today must be considered as a sincere request for quality care for people we are sure you consider as quality citizens.

Thank you.

Mr. Chairman, members of the Committee, my name is Richard T. Jones. I am the acting president of the University of Oregon Health Sciences Center in Portland, Oregon. I wish to present testimony in support of the recommendation by the Veterans Administration for the replacement of the present, obsolete hospital in Portland by a new facility on Marquam Hill.

The quality of health care for veteran patients served by the Portland Hospital should be the primary factor in deciding on the replacement of this hospital and determining its location. However, differences in estimates of building cost at an alternate site appears to be of greatest concern at the present time. A third factor which needs to be considered is the ongoing operating cost of the new facility. I believe the current and future association of the University of Oregon Health Sciences Center with the Portland VA Hospital influences all of these factors. Mr. Keller, past chairman of the Health Sciences Center's Advisory Council, will cover the issue of construction cost and I will touch on how our close geographic association effects the quality of care and cost of operations. We are providing complete remarks in the written testimony submitted to the committee in case time does not permit oral presentation of every point.

The Portland VA Hospital has been on Marquam Hill for the past 50 years on land donated by the state. It was built there to be near the Medical School which is now part of the University of Oregon Health Sciences Center. During this half century of being close neighbors, the two institutions have developed a strong interdependency. This has resulted in better service for veterans and other patients on Marquam Hill, greater educational experiences for students and postgraduate medical trainees, and the acquisition of more new knowledge through collaborative research efforts than would have resulted if this interdependency had not existed.

The primary product of our University is knowledge in health care and the arts and sciences upon which health care depends. The mission of the Veterans Administration Hospital includes research, education as well as patient care. The close geographic proximity of the University Health Center and the Portland VA Hospital has permitted the development and maintenance of many cooperative programs of education, research and patient care.

People at the University and the Veterans Hospital want to optimize both the quality and cost effectiveness of these programs. These are being achieved by our strong interdependency which is influenced very significantly by the close geographic association of the facilities and staffs of the two organizations. How do the programs of the VA and the University gain by their interdependency? The VA Hospital gains are as follows:

1. A Medical School Dean's Committee exists which actively reviews and advises the VA Hospital director and staff on a variety of matters including recruiting of medical staff, patient care, research, and educational programs of the Hospital.

2. University faculty appointments can be obtained by qualified professional staff of the Hospital. This aids in the recruitment, professional development, and long-term stability of the hospital staff, especially the physician employees. The association with an academic institution which involves staff members in teaching, research, as well as patient care, is considered a valuable asset in recruiting and holding outstanding staff.

3. Medical and nursing students and physician resident trainees provide part of the patient care service in the hospital and are a vital stimulus that helps to attract and hold hospital staff with academic appointments.

4. Faculty from the University provide the overwhelming majority of consultation to the staff of the VA Hospital. Some of the consultants go between the University and VA facility several times a day to provide this consultation.

5. Special procedures and equipment such as that used for x-ray diagnosis and therapy are available at the University for the Veteran Hospital patient. This helps reduce expensive duplication by sharing.

6. Joint conferences and continuing education programs provide continual updating of medical, dental and nursing staff which is reflected in the quality of patient care.

7. The University libraries and research support facilities such as special animal quarters and surgeries are nearby and available to the VA Hospital staff.

The University of Oregon Health Sciences Center and therefore the citizens of Oregon also gain from the close interdependency as follows:

1. The clinical facilities of the VA Hospital are available to enrich the education of many of the health professionals whose degrees or specialty training is the responsibility of the University. This is a form of federal subsidy of medical education which occurs in health education centers in the United States, not just Oregon, this is at no additional cost to the VA.

2. Participation of the VA staff enriches the education of students and trainees of the Health Sciences Center.

3. Researchers at the two institutions interact closely and many conduct collaborative studies which would be more difficult or costly if the two institutions were not neighbors. This includes sharing of research facilities.

4. Students benefit from interaction with a different population of patients than that seen in the University Hospital. They derive a certain sense of helping and contributing to a particularly worthy group of people.

Although many examples and statistics could be cited to support the points I have just given, let me list just a few which I believe are important indicators:

- There are 164 faculty physicians in all specialties at the University who are available to the Veterans Hospital staff for formal or informal consultation. Seventy-nine (79) of these faculty make at least one trip a day to the VA Hospital for some service.

- Seventy-two (72) members of the medical staff of the VA Hospital have faculty appointments at our University. Of these, 7 have dual appointments at the two institutions and receive a portion of their salary from each. The salary savings for these seven positions are estimated to be $175,000 a year.

- A recent study of comparable VA Hospitals rated Portland Veterans Hospital near the top in performance and cost effectiveness.

- Ninety-three (93) percent of the physicians at the Portland VA Hospital are board certified. This is unusually high compared to the average of 65% board certified for other VA Hospitals located near or next to associated Schools of Medicine and an average of less than 60% board certified for all other VA Hospitals located more than a mile from medical schools.

- Another indicator of high performance of the Portland VA is its annual per bed budget which is $42,277 compared to that for the Seattle, Washington VA which is $67,804. Although many factors may be responsible for the $25,527 difference between the Portland and Seattle annual bed budget, one important factor is the difference in location. The Seattle Hospital is 10 miles away from the affiliated University Medical Center whereas the Portland Hospital is adjacent to the University.

- The occupancy rate of the Portland VA Hospital for the past few years has been 82.5% which is substantially higher than the 70% for our community hospitals. Yet the average length of stay in medical beds is 6.6 days which is almost the lowest among hospitals in our area.

What are some of the added costs of operation that would result from separating the VA Hospital from the Health Sciences Center by locating it next to Emanuel?

- The cost of transportation due to extra travel of staff and students alone would be over $130,000 per year.

- The annual cost to VA for transporting patients to the University for special treatment would be over $35,000.

- The value of wasted time of faculty consultants and hospital staff in terms of dollars would be over a quarter million a year.

- The cost of duplicating staff that are now shared because of close proximity is estimated to be about one million dollars a year.

The delay in funding the Portland VA Hospital replacement has resulted in a significant loss of purchasing power due to inflation of building cost, continued deterioration of the existing facilities that do not meet building codes and are increasingly expensive to maintain and an increase in the politicization of this issue which has led to more confusion than clarity in the publics' mind. Further delay will only increase these problems.

In conclusion, I respectfully request the Committee to approve the Veterans Administration recommendation to build a replacement for the Portland VA Hospital. Further I urge the committee to allow the VA to select the site that will in its judgment best serve Pacific Northwest veterans.

My name is Ira C. Keller. I am board chairman of Western Sales Company in Portland, Oregon.

I am testifying today as a member and immediate past chairman of the University of Oregon Health Sciences Center Advisory Council. This Council is composed of substantial Oregon citizens, including the president of the largest banking system in the state, the president of Jantzen Knitting Mills, the executive vice-president of Georgia Pacific Corporation, a former member of Congress whom you all know and respect and other business and civic leaders.

Our service on this council and our appearance here today are premised on a sincere devotion to the public interest. By this testimony the Council desires to affirm unanimously its conviction that we act in the interest of Oregon veterans and of quality medical and health education in our area by urging replacement of the Portland VA Hospital on its present Marquam Hill site.

Having served many years as chairman of the Portland Development Commission, I am aware of the vexing and frequently complex and contradictory information that a body such as yours receives. And I know that many early impressions, however sincerely reached, are frequently subject to mature re-examination.

We shall present testimony today to show that many of the representations which have been made to this committee are based on inadequate information, error and a misreading of fact and public sentiment.

We believe, along with the Veterans Administration, that the proximity of the University and the Portland VA Hospital on Marquam Hill for the past half century has resulted in cooperative programs of health education, research and patient care that are outstanding for their quality. We further believe that the quality of service would be compromised and made substantially more costly by increased geographic separation of these centers.

The key question before this committee seems to be the differential in cost between a hospital plant at the Emanuel Hospital site as against that on the present Marquam Hill site. The VA has told the committee that the hill site would be 5% more expensive, a differential of $8.3 million.

The investigative staff has given the committee figures contending that the differential would be $27.4 million. At an earlier hearing before this committee it was even suggested that the figure might go to $29 million.

The VA has already told you that these figures are the product of "gross estimating errors." As for the Health Sciences Center, the figures relate in no substantial way to our knowledge or experience for construction on Marquam Hill.

We referred the report of the investigative staff and the response of the Veterans Administration regarding comparative construction costs to J. I. Hunderup, vice-chancellor for facility planning for the Oregon State System of Higher Education.

Mr. Hunderup regularly analyzes bids for buildings constructed by the system, and is fully conversant with site conditions on Marquam Hill. Mr. Hunderup concluded:

"Generally, we believe the comments of the Veterans Administration are correct, and that several assumptions made by the Surveys and Investigations Staff are not valid."

Hunderup questioned "savings" attributed to a series of extra charges attributed to the hill site, and not to the Emanuel site, totalling 4.66 per cent.

"Although there may have been isolated instances where a contractor or sub-contractor may have loaded a bid figure for such factors," he said, "we know from having contacted representatives of large contracting firms which have contracted for projects on Marquam Hill that they did not include such considerations in the composition of their bids previously, nor would they expect to do so in the future."

Hunderup agreed with the VA regarding parking structure costs, demolition costs and assignment of "unknown factors". He pointed out that costs peculiar to the hill site had already been allowed under "foundations" and could not properly be saved a second time under "unknown factors" which referred to program changes, and the like, common to both sites.

These observations were supported by Eugene R. Trone of Teeples & Thatcher and Gordon T. Todd, manager of the Portland division of Todd Building Company. These firms constructed the last four major buildings on Marquam Hill. Trone affirmed that during construction of the University Teaching Hospital and Medical School Parking Structure II his firm had experienced no problems for staging, material and equipment storage and employee parking. Nor did they encounter disruptive congestion unusual to an urban situation.

"It is our considered opinion," he said, "that construction costs for future projects near the U. of O. Medical School and the existing Veterans Hospital would not be substantially higher than construction costs at sites in other urban Portland, Oregon sites because of any problems with staging, travel, employee parking or vehicle and pedestrian congestion. Other sites could, in fact, have more problems with working room and congestion.

"Also we do not feel that contractors bidding any future projects near the Medical School would increase their bids in anticipation of logistical problems inherent in the hills location."

Todd stated that, in completing structures at the medical center in 1969 and 1972, his firm had not added a factor for hilly terrain except for foundations.

We then submitted the data to the controller of one of Portland's largest building construction firms. His conclusions supported the VA estimates. He regarded the $27 million figures in favor of Emanuel as quite unwarranted. A very large part of the so-called differential, he said, is simply juggling figures.

For instance, demolition costs would be the same at either site, he said. If the hospital were moved, demolition would simply be charged to the sale price of the old site, he observed, adding that "transferring it does not eliminate it."

Harry K. Stevens, architect and cost accountant, who has done cost estimating on many of Portland's large building projects, gave the presentations a careful analysis and came up with the same general conclusions. He warned that inflation was a much more important factor than the items under debate. Mr. Stevens said:

"It is my conclusion the cost differential between estimates of building on Marquam Hill vs Emanuel are more in keeping with the V.A. figures of $8.2 million as opposed to the $27 million of the investigative staff. It appears unwarranted to hold up a project of this magnitude on squabbles related to such a small percentage of the total cost.

"With respect to inflation, it must be kept in mind that construction costs continue to increase at 10 to 12% per year. Hence, delay of the project could justify review of the currently agreed to escalation factor and the building square foot cost."

This emphasis on the differential in construction costs seems misplaced, not only because it has been grossly exaggerated but because the inflation penalty is already outstripping any prospective savings at the Emanuel site. Inflation, owing to delay, has already added an inexorable toll of some $8 million since the appropriation was deleted from the bill last summer. The toll may top $16 million before this appropriation moves through Congress.

This is the true cost perspective. This project should proceed on Marquam Hill, the site identified by the VA as best for efficiency, operational savings and quality of patient care.

An effort has been made to discount the opinion of the staffs of the hospital and Health Sciences Center that separation of these institutions by five miles across the congested heart of Portland would result in a weakening of their successful affiliation. They were described as "opinionated doctors" and dismissed for being interested in their own convenience.

This was an undeserved libel. An effort has been made to convince the committee that this is a one-way journey from the UOHSC to the Emanuel Hospital of only ten minutes. I live on Marquam Hill above the medical center. I have made numerous trips to Emanuel, both as a member of that hospital's board and as chairman of the Portland Development Commission. I assisted in setting up the urban renewal plan by which several blocks around the hospital were cleared for expansion.

The prudent driver will take upwards of 20 minutes to make this trip through traffic. At peak times, perhaps more. If you allow any time for leaving one's work, unparking a car and getting it into the stream of traffic, parking the car again and reporting for appointment--and a small cushion for delays-- you are looking at thirty minutes

each way, or a one-hour roundtrip to Emanuel Hospital for the staffs, residents, interns and advanced students.

This shuttle, if present intensity of affiliation were maintained, would generate 687,500 passenger miles a year, waste 45,650 man hours and cost some $389,195 in lost time. If University Hospital continued to give 8,000 radiation therapy treatments a year, this would mean transporting patients a total of 80,000 miles in city traffic. Bed patients would have to be taken by ambulance.

This also represents a tremendous loss in staff time in travel and waiting for patients during treatments.

All this is spelled out in detail in our comments which are in your hands. It is not a trivial matter. This shuttle would entail a waste of time, efficiency and money. The travel is quite unjustified in these times when we are being urged to save energy.

The effort to discount this factor because private physicians regularly travel from office to hospital for "rounds" to see their patients will not stand up under examination. The private physician, who was quoted to this committee as saving distance was not important, was talking through his hat. The trend is exactly the other way.

Both physicians and community hospitals are beginning to recognize the huge waste that is entailed by this travel of doctors from office to hospital and back again. The national trend is toward establishment of medical office buildings adjacent to hospitals.

In Portland, numerous private clinics have been established near Good Samaritan Hospital. St. Vincent Hospital is now in process of raising funds for construction of a physicians office building alongside their new hospital plant. The Adventist and Providence Hospitals, on the east side of Portland, have similar projections.

But, of more immediate significance to this committee, is the fact that Emanuel Hospital has a plan for a physicians' office building as a part of its projected medical center.

Those who are urging the idea on this committee that proximity of these institutions--the veterans hospital and the UOHSC--is not important are talking against all experience and all authoritative counsel in this matter. And in their own planning they are doing exactly the opposite of what they are advocating here.

This committee has been told that the "neighborhood" was opposed to relocation of the hospital on the hill. The Homestead Neighborhood Association went on record officially as <u>favoring</u> the relocation of the hospital on the hill, and so notified Senator Mark Hatfield for the information of the conference committee last October.

You have been told that "many groups" are opposed to Marquam Hill. They would be difficult to find, except for a group that is opposed to building at either site in favor of abandoning the veterans hospital system. Among those who have gone on record as favoring Marquam Hill are:

The Board of the Portland Chamber of Commerce
The Multnomah County Labor Council AFL-CIO
The Columbia-Pacific Building and Construction Trades Council AFL-CIO
The American Legion
The Veterans of Foreign Wars
Disabled American Veterans
Military Order of the Purple Heart
Veterans of World War I
Oregon State Board of Higher Education
The Oregonian, The Oregon Journal--largest newspaper in the area--the Oregon Statesman-Journal and many others over the state.

Oregon Governor Bob Straub recently wrote the chairman of this committee of his continued and strong support of the Marquam Hill site.

The only considerable support in Portland for relocating the Veterans Hospital at the Emanuel site has come from three members of the City Council, who have conceived the project as a part of an urban renewal plan to build up a blighted neighborhood and to assist Emanuel Hospital in developing a medical center to rival those recently completed by other community hospitals.

I do not fault Emanuel Hospital for its ambitions. It is a worthy hospital and I have aided it personally and financially. But I do not think that a major medical center of the quality and reputation of that on Marquam Hill should be dismembered to satisfy those ambitions. Nor do I think it is proper to use this veterans hospital as an urban renewal project. The quality of veteran care is and should be the paramount consideration in replacement of this hospital.

This is a decision that the VA based on its expertise and experience, is qualified to make. For this reason, the Congress has followed a policy for many years of not mandating the location of VA hospitals, thus avoiding local pressures and political manipulation. I commend you for this policy and express to you my hope that you will not in this instance overturn that important precedent.

The time alloted to me does not permit an examination of this issue in real depth. I would however like to mention two more points made in the Advisory Council's comments which show, I think our deep concern in this matter.

--First, the Council report quiets the charge that Griffin-Balzhiser, original consultants on the project, favored Emanuel site and were pressured by the VA into changing its recommendation. It shows that Griffin-Balzhiser became convinced of the superiority of the Marquam Hill site because the shared services between the VA and UOHSC insured quality patient care. A letter from the firm is attached

showing that it did not favor Emanuel site and that it did and still does favor Marquam Hill.

--Second, it points out that the very issue of proximity led this committee last year to approve funds for a new VA hsopital in Little Rock, Arkansas. The University of Arkansas Medical School had moved to a new campus and relations that had been close were made tenuous. In order to correct this deficiency, the VA proposed to reestablish those valuable relations by building across the street from the new campus. With your blessings, the project is now under way. What is sound policy in Little Rock, we submit, ought to be sound policy in Portland, Oregon.

The VA, its consultants and the staffs of both hospital and Health Sciences Center have emphasized that the interrelationships between these institutions have a most positive effect on the quality of service rendered patients at the hospital and on the health education program at the medical center. Experience of the VA elsewhere has long demonstrated the value and efficiency inherent in a close affiliation, both in recruiting and holding high quality staff and in delivery of patient services.

The VA believes that distance tends to curtail the intensity of the affiliation, as it very logically must. The VA "firmly" believes that the high performance of the Portland Hospital should be directly attributed to the strength of the affiliation with the Health Sciences Center. "To increase the distance would diminish that strength."

That is the strong conclusion of the Advisory Council to the University of Oregon Health Sciences Center. After you consider all aspects of this question, we believe it will also be yours. Thank you.

Mr. BOLAND. There were contractors in the Portland area who differed with the figures you have given the Committee.

Dr. JONES. I believe one contractor in Portland was consulted and gave that.

Mr. BOLAND. As a result of being hired by Emanuel Hospital. There are two other contractors that commented upon the cost, too.

The other areas in your statement, on page 3, you talk about the occupancy rate of the Portland VA Hospital as having been 85.2 percent which is substantially higher than the 70 percent in other community hospitals in the area.

I am looking at a table supplied by the Veterans Administration with respect to the summary of medical programs as of December of 1977. I find the total bed occupancy rate in Portland was 66.2 percent. I don't know what the deficiency is there.

Dr. JONES. I can try to find out. I can ask the Administrator.

Mr. BOLAND. We will find out. The bed occupancy rate for psychiatric was 80.3 percent, for surgery 60.2 percent, for medical 66.8 percent, for a total of 66.2. We will try to resolve that.

Dr. JONES. Was that for a specific week or month in time? I believe my figures were an overall average for the past several years.

Mr. BOLAND. Yours were for the past few years. This is for calendar year 1977. It might be for 1976 and 1975 that the rate was higher. In any event, we will be glad to check it out.

Thank you very much for your statement.

Mr. AUCOIN. Mr. Chairman, with your permission, Mr. Keller is prepared to offer testimony.

Mr. BOLAND. We would be delighted to hear Mr. Keller.

Mr. KELLER. I want to take 10 seconds to introduce Mr. Bob Knox, a member of our Council, and publisher of The Oregonian which has as much authority there as The Washington Post has. He has done a lot of this writing for me.

Mr. BOLAND. You mean you didn't write this yourself?

Mr. KELLER. Sure.

Mr. BOLAND. Well, it reads like you wrote it yourself.

Mr. KELLER. Well, it's been a pleasure. I think we omitted one pertinent fact. That is that someone whom we know well, Edith Green, is on this Board. She has been exceedingly helpful and interesting. She would be happy to testify or to write or do anything to support this. She is ardently in favor of this position.

I find myself in a very embarrassing position. As head of urban renewal in Portland, I was very interested in the plans of Emanuel to upgrade their medical school. Part of it was dependent upon an urban renewal project which I had the pleasure of supervising. It involved the clearance of some very decadent housing and very decadent areas. It was a real contribution to what was a deteriorating neighborhood. It was a very unhappy thing to find myself in opposition to their attempt to take from the medical school very important teaching hospital facilities as used by the veterans.

This really represents almost half of our teaching facility. When you talk about the effect upon students of having 1000 beds full of people as compared to maybe half of that, certainly not more than 60 percent of it, or that he has to take from his limited time time to go to another

hospital. This job of being chairman of this Council is a nonpaid one one and you try to do public service.

The Oregon Medical School is one of the oldest in the area. It has a very distinguished record considering that our state only has two million people. We have always had limited budgets.

We have a research budget of $8 or $10 million. The University of Washington has $50 million. The University of California at San Francisco, with a smaller acreage by far, has four times the population on campus. This is a fine institution. It has plenty of room for expansion. It's got plenty of room for the Veterans Administration to build a convenient and excellent operation there.

I would hope that we could find a way of helping Emanuel in this area, that the federal purpose of HUD is to help areas like that and institutions like that, that we do it somehow without seriously damaging a fine medical school.

You can argue about this all over the map, but as a layman, I took the time to visit three other major medical schools on the West Coast. All of them were envious of us that our VA responsibility was on campus. They had VA responsibilities and they found it very onerous and very time-consuming, very valuable but very time-consuming. That was particularly true at the UCLA where there was quite a distance to travel. As you all know, traffic is bad.

This is a fine medical school. Dr. Jones is typical of many of our department heads who are distinguished, talented, and dedicated people. I don't think we want to make their job harder in order to do an urban renewal in another part of the city.

This is really what this boils down to.

So I would like to, speaking for the Council which is a very representative group, 14 people, we have two women, Edith Green and Elizabeth Hays, a leader in the community where all this goes on, plus several others that I mentioned in my statement. I think we have to listen to the combined judgment of those people.

I built hundreds of millions of dollars' worth of buildings. There can't be a $27-million difference between building on these two different sites. All you have is a foundation problem where we are. The foundation isn't that difficult.

You also use the foundation as a means of parking so that you get economies from building on the hillside as well as costs. My home is exactly five-tenths of a mile from that school. I travel to my office and back every day, go through the medical school.

Traffic conditions are not bad at any time. This hill surrounding the medical school is full of attractive little apartments where many of our employees live.

Mr. BOLAND. I think I have all the facts based on your point of view.

Dr. Jones has gone over the question of the costs as Les AuCoin has many times.

We thank you for your testimony today.

WITNESSES

HON. HARRISON A. WILLIAMS, A SENATOR FROM THE STATE OF NEW JERSEY

HON. CLIFFORD P. CASE, A SENATOR FROM THE STATE OF NEW JERSEY

Mr. BOLAND. Senator Williams, we are delighted to have you over here on this side of the building. You may introduce whomever you wish.

Senator WILLIAMS. My departure was involuntary.

Mr. BOLAND. I know you appear as a sponsor of a project dear to your heart.

Senator Case we are glad to have you also.

Senator WILLIAMS. Mr. Chairman, I know our situation has been fully and expertly described to you; most recently, yesterday Congressman Florio, who is here now, spoke to us.

Mr. BOLAND. Why don't you go ahead and handle it your own way?

Senator WILLIAMS. We have lived with the idea of a VA hospital for Camden for many, many years now.

Many years ago we developed the idea for a health "complex that would combine a VA hospital, together with the New Jersey-South Jersey medical school, and Cooper Hospital in Camden.

Following that, we developed this idea to the point where it was accepted and designated. State and city resources and unlimited community time have been expended to prepare for the hospital.

The city has spent a great deal of money in acquiring the site for the planned hospital. The state has gone forward with the medical school. Cooper Hospital has rearranged itself to accommodate the VA facility.

It was devastating to learn that this was to be changed this year. Of course, that's why we are all together in advancing to our colleagues in the Senate and to you, on this Committee, which has been so responsive, to veterans affairs, and to housing, our case for restoring to the budget those preliminary moneys for the VA hospital in Camden.

Now I would just say it is further evidence of the unity of community on this issue when you look at the witnesses that are here today: Thatcher Longstreth, president of the Regional Chamber of Commerce; an organization known as Penjerdel—Pennsylvania, New Jersey, Delaware. How many communities, Thatcher will explain. Eleven, he says.

Dr. Lindsay Pratt and Dr. Lewis Coriel, Director of the Institute for Medical Research in Camden.

It's all there, just listing their activities, their backgrounds. It is great, good fortune for all of us who worked so long for this that these people are here today to testify before this Committee again. You have been so responsive to the needs of the veterans.

I will say your responsibility in another area I am familiar with, housing, has been complete.

Mr. BOLAND. Thank you very much, Senator Williams.

We are very pleased to have you over here, as I indicated. You do raise some concerns about the action taken by the VA in this area. It is a

concern of every one in that area. Of course, it is of concern to us, too.

Of course, we welcome Senator Case, who is really Larry Coughlin's counterpart on the Senate side. We frequently meet in conference on the other side. He's always been very cooperative in efforts to improve the life of all areas, not only New Jersey. We can understand his concern, too.

Senator, we would be glad to have any statement which you might wish to make.

Senator CASE. Thank you, Mr. Chairman. I will not take long. The substantive material for the record will be given by the witnesses themselves.

I concur completely with Senator Williams in his outline to you of the meaning of this to us; and I think to—not only the whole area, but the country generally. This is a cooperative effort by the municipality, by the county, by the state, and the region now, including participation from our friends from across the river, in doing two things: upgrading a service for veterans in this whole area, both sides of the river, all the way down to the end of Cape May, in a way which has been approved after thorough study by the Veterans Administration.

It is upgrading medical education in this part of the state in a way which is most important; and in addition, it is—I am confident it is meeting that in a way that could not be met in any other way—the business of rehabilitating an old and wonderful city for purposes that we know are good.

You know better than most of us how much money has been wasted in well-meant, beautiful efforts to lift a deteriorating municipality out of the doldrums, out of deterioration. This will accomplish that.

At the same time, it is doing other invaluable things. We think in New Jersey that the affirmative effect of going ahead with this thing will be very, very great indeed. Even more, the negative effect, having initially had a favorable decision on the merits, the negative effect on the morale of all the people involved in order to lift this community and this part of our state out of the doldrums, to say nothing of the work of the veterans organizations and the civic groups, too, it will have a most shattering effect.

I hope that your Committee will do what is right. Really, Mr. Chairman, looking at this realistically—we served on these things many times. If your Subcommittee doesn't do this, if it isn't put in the House, we can put it in the Senate. We might be able to do that. But you guys will never accept it in conference. On a nonbudget item, you just never would take it. You know that. It has to be in here.

Mr. BOLAND. We don't always win those battles, though.

Senator CASE. You never put a single thing in. You will not take anything we put in the Senate. You know that is true.

I made this statement before to our people, including the President and our governor, in emphasizing that this subcommittee is the crucial place where this decision is going to be made, unless we can change the President's mind.

Senator Williams and I are going to work our heads off. I know Congressman Florio is, too, because he's done a great service.

We are going to do everything we can in that direction. If this is not done—and I am not optimistic about it, because I understand the President himself made this decision. When he does that, it's very hard to change his mind.

That's why I want to underscore just that: here in this Subcommittee the decision will be made for Camden, for the Veterans Administration, for this whole area. I do hope you will find it a desirable thing to make the decision. We are sure of it.

Mr. BOLAND. Senator, thank you very much. We are delighted to have you with us. It is always a pleasure to have you on this side of the Capitol.

Senator CASE. I spent many years here, as Senator Williams did, when we were young.

Mr. BOLAND. Thank you very much.

NSF SCIENCE EDUCATION

WITNESS

DR. JOHN CANTLON, MICHIGAN STATE UNIVERSITY, REPRESENTING THE ASSOCIATION OF AMERICAN UNIVERSITIES

Mr. BOLAND. We will now turn to Dr. John Cantlon of Michigan State University representing the Association of American Universities.

I understand you are appearing here with reference to the National Science Foundation budget.

Do you think this budget is getting too high?

Dr. CANTLON. No, sir.

Mr. BOLAND. You may be able to point out some areas where you think we will be able to take from one and give to the other.

I like to tell the NSF witnesses we started this program 26 years ago with $250,000.

Now the NSF budget is approaching $900 million. NSF really has come a long way.

Have you appeared here before?

Dr. CANTLON. No.

Mr. BOLAND. The budget has grown so much.

Dr. CANTLON. No, I don't believe so.

Mr. BOLAND. Please proceed with your statement.

Dr. CANTLON. My name is John Cantlon. I am Vice President of Michigan State University. I am presenting testimony on behalf of the colleges and universities that are members of the Association of American Universities, the American Council on Education, and the National Association of State Universities and Land-Grant Colleges.

Together, these institutions perform virtually all of the academic basic research supported by the Federal Government, and they produce almost all of the nation's highly trained scientific and technical manpower.

Mr. BOLAND. How many institutions would this group comprise?

Dr. CANTLON. There are 48 A.A.U. universities, 42 grants. ACE has about 1,500.

The aggregate is almost all of American higher education. There are very few omissions.

Mr. BOLAND. That's a powerful constituency.

Dr. CANTLON. Yes, sir.

Speaking both for these three associations and as Vice President for research of a typical, large American university, I would like to sup-

port the Administration's reecommendation concerning the FY 1979 budget for the National Science Foundation.

First, Mr. Chairman, we strongly support the Administration's commitment to basic research in FY 1979. The budget is a comprehensive strategy to restore needed growth in reasonable increments to NSF and to a number of other federal basic research programs.

As this committee is well aware, these programs, and the academic research activities they support, are the foundation stones of the world leadership our nation enjoys in science and technology. It is almost a truism to say our preeminence in many scientific and technological fields flows directly from our past investments in the search for new knowledge.

In the past two years, relatively large increases have been requested for the basic research programs of the National Science Foundation. We applauded those efforts because they signaled a reversal in the pervasive decline of support for basic research and our associations worked closely with the Congress as it moved toward those objectives.

The broad effort proposed for FY 1979 to strengthen the basic research across the mission agencies is most welcome, and the academic research community vigorously supports that strategy.

If the NSF is to continue to play its unique function among federal agencies engaged in basic research, then it is logical and necessary that its programs, the core of that federal effort, also be strengthened.

We urge this subcommittee to provide the full amounts requested for NSF basic research. There are some special concerns which I will turn to now.

A top priority, and a reason we urge full support of the budget recommendations, is the continuing need to strengthen scientific instrumentation and equipment. The nation's inventory of research instrumentation in academic laboratories has suffered deterioration. There is broad consensus on this point.

Last year, the Association of American Universities sponsored a report funded by NSF titled "The State of Academic Science," by Smith and Karlesky. This report documented the decline in the scientific instrumentation resources of universities.

In February of this year, the Big Ten universities conducted a survey of their research instrumentation and verified the continuing serious deficiency. The FY 1978 NSF budget signaled the seriousness of the problem by placing a high priority on instrumentation programs.

Last year, one-third of the proposed budget increase was targeted there. The proposed FY 1979 budget emphasizes the continuing seriousness of the problem and notes that special efforts will be made in physics, chemistry and other selected fields.

We fully support these initiatives and urge the committee to continue the effort begun last year by providing the amounts requested for the Mathematical and Physical Sciences and Engineering; Atmospheric, Earth and Ocean Sciences and Biological, Behavioral, and Social Sciences basic research directorates.

Anecdotal information is sometimes more useful in conveying the continuing repercussions of the long drought in funding for research

instrumentation in equipment. On our campus, we find serious impediments due to inadequate gas chromotograph, mass spectrometers, electron microscopy, nuclear resonance spectometry, electron resonance spectrometry, mass ratio spectrometry, pattern analysis hardware for our computer, among others.

Highly competitive, nationally recognized researchers were having to wait up to 70 days to get access to analytical instruments essential to their research. Such impediments are costly in reduced research output but they are even more costly in attitudes picked up by post doctorals and graduate students who are less insistent than they should be about repeating ambiguous experiments or who drift into less important problems just to avoid equipment deficiencies.

The U.S. research instrument and equipment deficiency developed over several years of inadequate attention to national needs. It will take a number of years of special attention to fill the gap and then real attention to prevent its recurrence.

The National Science Foundation recently announced a new program to establish a limited number of regional instrumentation centers as sites for very costly equipment. To be used most efficiently, expensive instrumentation must be shared. We support this effort and encourage its successful implementation.

I would like to turn to comments by the agency structure of academic scientists. There is concern building over the need to provide for a continued flow of interested young faculty into the nation's leading science departments. The decade ahead will be a period of declining enrollments and diminished academic career opportunities for talented young investigators.

To ensure at least a minimum infusion into science of fresh talent and new ideas, steps must be taken soon to provide the resources necessary to create a sufficient number of places for young researchers in the nation's leading academic science departments.

The FY 1979 budget recognizes the seriousness of the problem. Dr. Frank Press, the President's Science Advisor, Dr. Richard Atkinson, Director of the National Science Foundation, and Dr. Norman Hackerman, Chairman of the National Science Board, have announced plans to address the problem.

The associations for whom I speak commend the responsiveness of the President's budget to this emerging problem. We will support and cooperate in efforts to respond to it.

Keeping NSF budget requests at the commenced FY 1979 level will provide some assistance via the young scientists supported on grant and project funding. Beyond this, however, mechanisms need to be explored that would permit adding one to three young faculty to a few of the nation's outstanding science departments which face short-term serious aging problems. Such a program need not be massive and costly since the shared-salary commitment would be for short periods prior to retirement of senior faculty.

Highly trained young people are essential to the nation's basic research effort because their vigor and freshness stimulate the continued renewal of academic science. Unless special steps are taken now to ensure the continued placement in key departments of a minimum number of these individuals, the 1980s could become a decade of lower

mobility, lost momentum, increasing stagnation, and displaced talent.

Because the detailed organizational and funding arrangements required would vary by department and field, the approaches to the problem would have to be carefully worked out. We stand ready to help the Administration and the Congress in this task.

I would like to speak to the effectiveness of research funding in universities and colleges.

While we are gratified that the budget proposes sustained growth in NSF basic research programs, the effectiveness of federal support for academic science must be judged finally in terms of the impact which funds have on the quality of the science produced and on the productivity and efficiency of academic researchers.

In recent years, budgetary pressures have led to disruptive funding practices such as projects which are funded for unreasonably short terms.

Mr. COUGHLIN. Doctor, I finished reading your statement by the time you finished reading the first page.

To the extent you can summarize, it will be printed in the record.

Mr. BOLAND. Why don't you take the various titles you have and give us a summary under those?

Mr. COUGHLIN. I am not trying to be rude.

Dr. CANTLON. No, I understand.

Mr. BOLAND. One of the subjects you talked about was the scientific instrumentation and equipment. Do you recommend an increase in the funding for that program?

Dr. CANTLON. I think the NSF budget, as presented, recognizes that the funding level, and indeed, the funding level the House has recommended in its enabling legislation, would provide a continuation for that.

Hence, the reason for our funding at that level.

Mr. BOLAND. What about young academic scientists?

Dr. CANTLON. Again, I think the level at which the universities are exposed to this problem varies nationally. It is expected that at the funding level that is currently in the budget, part of the problem will be addressed by the additional full stops and young research associates that can be brought in by the grants mechanism.

What I am remarking here is that we need an additional mechanism which would permit universities to put young people into tenure stream tracks earlier.

That mechanism has not worked out. NSF is interested in it.

I really think I am asking for your sympathy and support of the problem and will try to work out ways of doing this, perhaps within the funding level of the current appropriation request.

Mr. BOLAND. The mechanisms that haven't worked out, is that the fault of the universities and the institutions that are concerned with young scientists?

Is that the fault of the NSF?

Dr. CANTLON. I don't think it's either one's fault. What we are looking at is a dramatic change, a period of very rapid growth.

Now we are looking forward to a period of decreased student enrollment. The research community has been built up largely based on the need of those individuals in the research—in the teaching activity.

In other words, when we go to the legislatures in our states, we ask to increase staff in the universities because of the instruction. Now we are coming to a point where there will be no reason to do that. Indeed, there would be reason based on just the body count to begin decreasing.

As a consequence, there will be no infusion of new young faculty because there is no growth.

So what we have is a bunch of people who are in their 40's now.

That group will age with very, very little input unless we begin to do something about it.

Now, pervasively, nationally that would be an extremely costly thing to do. That's really not what we are asking.

The Association thinks that a small number of the outstanding science departments we should begin to worry about the health of those because of their key role nationally.

So we think we need mechanisms there and would be happy to work with it.

Mr. BOLAND. How about graduate student support on page 4 of your statement.

Dr. CANTLON. Recently, the number of NSF fellows was reduced from 300 new starts per year to about 400 starts.

What we would like to recommend is that they be put back up to 500, which really nationally is a very modest number.

The reason for that is that these university fellowships give those individuals high national mobility and they can go to the very best research departments in the country.

Otherwise, you have the individual ideosyncracies of the institutions imposing on that.

I think that as a national resource 500 most excellent probably deserve total mobility nationally.

Mr. BOLAND. Under graduate science programs?

Dr. CANTLON. There have been reductions in the undergraduate research part organization in the student-originated programs. Those were proposed to be terminated.

We lament that.

On the other hand, we are pleased that the CAUSE program is continuing. We think this program is important. We note in the authorizing legislation, there was a recommended movement of funds from the research division to the undergraduate division.

Frankly, I think the AAU, in particular, would rather see the level of funding in the basic research programs kept up. But nationally, these undergraduate programs are important.

We certainly would support that as well.

Mr. BOLAND. Your basic research stability grants?

Dr. CANTLON. Here I recall that Congress last year did recommend funding of basic research stability grants. But they were not in fact incorporated into an appropriation as it was finally put into operation after the appropriations proposals.

We think that this is an extremely important area. We are pleased to note that the Administration did in fact this year, for the first time, recommend that the NIH biomedical research grant institutional funding be continued.

Congress, through the years, has been the major supporter of that idea.

I can tell you, having to deal with the difficulties of trying to manage a major operation of something on the order of $50 million dollars a year that is funded—this is now one institution—funded on an individual project by project basis of perhaps $40,000 to $50,000—it's an extremely difficult management problem.

What you need is these basic institutional grants to sort of fill the cracks in that management scheme.

So in conclusion, then, I would like to say that the three associations and the strong research universities nationally endorse the Administration's recommended NSF request of $940 million.

And we are especially interested in maintaining the research support and the research directorates.

Mr. BOLAND. Doctor, thank you very much.

Mr. Traxler?

Mr. TRAXLER. It's delightful to welcome the Doctor on behalf of the Association of American Universities and American Council on Education and National Association of Land Grant Universities. I welcome you.

Mr. BOLAND. We will place your complete statement in the record at this point.

Mr. Chairman and members of the Subcommittee:

I am John E. Cantlon, Vice President of Michigan State University. I am presenting testimony on behalf of the colleges and universities that are members of the Association of American Universities, the American Council on Education and the National Association of State Universities and Land-Grant Colleges. Together these institutions perform virtually all of the academic basic research supported by the Federal government, and they produce almost all of the Nation's highly trained scientific and technical manpower.

Speaking both for these three associations and as a research Vice President of a typical, large American university I would like to support the Administration's recommendation concerning the FY 1979 budget for the National Science Foundation.

FY 1979 Budget for Basic Research

Mr. Chairman, we strongly support the Administration's proposed renewed commitment to basic research in FY 1979. The budget is a comprehensive strategy to restore needed growth in reasonable increments to NSF and to a number of other federal basic research progams. As this Committee is well aware, these programs, and the academic research activities they support, are the foundation stones of the world leadership our nation enjoys in science and technology. It is almost a truism to say our preeminence in many scientific and technological fields flows directly from our past investments in the search for new knowledge.

In the past two years relatively large increases have been requested for the basic research programs of the National Science Foundation. We applauded those efforts because they signaled a reversal in the pervasive decline of support for basic research and our associations worked closely with the Congress as it moved toward those objectives. The broad effort proposed for FY 1979 to strengthen the basic research across the mission agencies is most welcome, and the academic research community vigorously supports that strategy. If the NSF is to continue to play its unique function among federal agencies engaged in basic research, then it is logical and necessary that its programs, the core of that federal effort, also be strengthened. We urge this Subcommittee to provide the full amounts requested for NSF basic research. There are some special concerns which I will turn to now.

Instrumentation and Equipment

A top priority, and a reason we urge full support of the budget recommendations, is the continuing need to strengthen scientific instrumentation and equipment. The nation's inventory of research instrumentation in academic laboratories has suffered deterioration. There is broad consensus on this point. Last year the Association of American Universities sponsored a report funded by NSF titled The State of Academic Science, by Smith and Karlesky. This report documented the decline in the scientific instrumentation resources of universities. In February of this year the Big Ten universities conducted a survey of their research instrumentation

and verified the continuing serious deficiency. The FY 1978 NSF budget signaled the seriousness of the problem by placing a high priority on instrumentation programs. Last year 1/3 of the proposed budget increase was targeted there. The proposed FY 1979 budget emphasizes the continuing seriousness of the problem and notes that special efforts will be made in physics, chemistry and other selected fields. We fully support these initiatives and urge the Committee to continue the effort begun last year by providing the amounts requested for the Mathematical and Physical Sciences and Engineering; Atmospheric, Earth and Ocean Sciences and Biological, Behavioral, and Social Sciences basic research directorates.

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The National Science Foundation recently announced a new program to establish a limited number of regional instrumentation centers as sites for very costly equipment. To be used most efficiently, expensive instrumentation must be shared. We support this effort and encourage its successful implementation.

Drawing on my own institution, we are competing for one of these regional instrumentation centers in the area of nuclear magnetic resonance spectrometry. Our chemistry department, with nearly two decades of experience in this branch of chemistry and instrumentation, proposes to establish and operate a state-of-the-art NMR center to meet our campus-wide needs as well as serving other midwestern universities and industries. We are convinced investment in such centers will encourage high quality joint effort in basic and applied research, a highly desirable national goal.

Young Academic Scientists

Concern is building over the need to provide for a continued flow of talented young faculty into the nation's leading science departments. The decade ahead will be a period of declining enrollments and diminished academic career opportunities for talented young investigators. To ensure at least a minimum infusion into science of fresh talent and new ideas, steps must be taken soon to provide the resources necessary to create a sufficient number of places for young researchers in the nation's leading academic science departments.

The FY 1979 budget recognizes the seriousness of the problem. Dr. Frank Press, the President's Science Advisor, Dr. Richard Atkinson, Director of the National Science Foundation, and Dr. Norman Hackerman, Chairman of the National Science Board, have announced plans to address the problem to the associations for whom I speak. We commend the responsiveness of the President's budget to this emerging problem. We will support and cooperate in efforts to respond to it.

Keeping NSF budget requests at the recommended FY 1979 level will provide some assistance via the young scientists supported on grant and project funding. Beyond this, however, mechanisms need to be explored that would permit adding one to three young faculty to a few of the nation's outstanding science departments which face short-term serious aging problems. Such a program need not be massive and costly since the shared-salary commitment would be for short periods prior to retirement of senior faculty.

Highly trained young people are essential to the nation's basic research effort because their vigor and freshness stimulate the continued renewal of academic science. In some fields, mathematics for example, their ideas and research productivity are the cutting edge of the discipline's research effort. They are the next generation of senior investigators and teachers. Unless special steps are taken now to ensure the continued placement in key departments of a minimum number of these individuals, the 1980's could become a decade of lower mobility, lost momentum, increasing stagnation and displaced talent.

Because the detailed organizational and funding arrangements required would vary by department and by field, the approaches to the problem would have to be carefully worked out. We stand ready to help the Administration and the Congress in this task.

Effectiveness of Funding

While we are gratified that the budget proposes sustained growth in NSF basic research programs, the effectiveness of federal support for academic science must be judged finally in terms of the impact which funds have on the quality of the science produced and on the productivity and efficiency of academic researchers. In recent years budgetary pressures have led to disruptive funding practices such as projects which are funded for unreasonably short terms, sometimes for less than a year. Stable, long-term support, a hallmark of NSF earlier history is now all too frequently lost. As budgetary steps are taken to strengthen the base of federal support for basic research, we urge the Congress and Executive agencies, including the National Science Foundation to ensure a greater degree of stability and efficiency in the terms and conditions employed to support academic science.

New funding arrangements may be needed as we move into the 1980's. These associations for whom I speak, and the nation's research universities hope to contribute to the formulation of new strategies and alternative approaches for the support of academic science. We will keep the Committee fully informed as our plans develop for initiatives in this area.

University-Industrial Cooperation

It is now becoming clear that the role of R&D in the health of the U.S. economy has been underestimated. As reported by the 1977 National Science Board in Science Indicators, 1976, "advances in knowledge" have accounted for about 1/3 of the growth in output in the forty-year period between 1929 and 1969. Investment in R&D brings consistently high rates of return to industries and to the society. But many industries have reduced their commitment to basic research to low levels which, if unchanged, could weaken our knowledge and technology base. which is dependent upon excellence in university research programs. More than half of our basic research and essentially all of the new researchers come from the major research universities and colleges. But universities alone neither can nor should provide the spectrum of fundamental knowledge necessary to the development of new technologies and products. Strong university and strong industrial research programs each play important and complementary roles. Both are essential to our economic well-being. Therefore, we fully support efforts by NSF to foster closer cooperation between academic and industrial researchers.

We know from the very modest current interaction between universities and industries that the potential is high. At Michigan State University we have had experience in the cooperative development of agricultural chemicals, pharmaceuticals and harvesting machinery among others. Joint proposals to NSF pursue basic and long-term applied research if subjected to the same rigorous test of scientific merit will not only increase our store of basic research, it will also facilitate the deployment of knowledge for the good of the nation's taxpayers, an end toward which the land-grant universities have been working since their creation in President Lincoln's administration.

Graduate Student Support

The NSF portable fellowship program is an important recognition of the federal interest in supporting the most able students in science. We were concerned that the number of new starts dropped precipitiously last year from more than 500 to slightly more than 400 new starts. We are gratified, however, that the number of fellowships for students enrolled as undergraduates in minority institutions will increase. We fully support that program and are convinced that affirmative action hiring by government, industry and the university cannot be a reality until the pools of minorities and women in science and engineering are increased. We would urge, however, that the Committee provide additional sufficent support to restore and stabilize the principal NSF fellowship program at a minimum of 500 new starts per year. This modest number plays a key role in that NSF fellows are completely free to go anywhere in the U.S. for their graduate studies. Since these are our most gifted graduates, it seems highly appropriate that at least 500 go to our very best academic departments in their particular field, regardless of special inducements or discouragements that might otherwise tempt different choices.

Undergraduate Science Programs

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Undergraduate Science Programs

The NSF undergraduate science education programs are a high priority of the nation's colleges and universities. They should be continued at least at current levels adjusted to meet inflation. We regret that the Undergraduate Research Participation (URP) and Student Originated Studies programs are proposed to be terminated in FY 1979. We are pleased that the Committee on Science and Technology has recommended continuation of the URP program. The Comprehensive Assistance to Undergraduate Science Education (CAUSE) program has demonstrated great effectiveness and we urge that it be strengthened. The initiatives to ensure access to careers in science for minorities, women and the physically handicapped also have high priority. The emphasis on science education at the junior high school level is an important one which we fully support. Ten years of experience which my institution has had in attracting black youth from economically disadvantaged homes and poor public school learning environments convince me that the most effective science leverage point is improving the mathematical, science, and language skill training and motivation at the junior high level.

Basic Research Stability Grants

Turning to a matter of special concern to research institutions I will comment briefly on the formula grant program which was authorized and funded at $4.5 million last year -- the Basic Research Stability Grant Program (BRSG). Modest sums of flexible funding are the most efficient and productive way to provide for a margin of flexibility in the conduct of research and to undergird the competitive project system. Seed funds for young investigators, unexpected instrumentation needs, and new research opportunities are among the most important uses of these funds. In addition, the increasing rigidity being imposed on universities in handling grant funds causes academic administrative officers real dilemmas. Does he or she divert funds that are needed for instructional obligations to meet essential objectives of a research grant whose funds have expired? As both public and private universities have lost their fiscal flexibility more and more inefficiencies creep into their operation. It is common practice in both governmental contracting and in the business world to build contingency provisions into contracts. Research projects have as their primary objectives the proving of the unknown. Surely they can't be more cost predictable than constructing a building. The BRSF or something like it must be developed if the universities are to continue to be efficient generators of research.We were disappointed at the termination in 1975 of the former Institutional Improvement for Science Program and we supported the reinstatement of the principle of flexible support last year.

Unfortunately the program as implemented, in our opinion, did not meet the stated objectives, and the Administration requested deferral of the funds. We understand these monies are being reprogrammed. It is regrettable that the effort to restore the principle of flexible research support has been unsuccessful in NSF; we are gratified, however, that the Administration has affirmed the validity of the concept by requesting for the first time in about 5 years, continuation of the NIH program which serves this purpose for NIH basic research programs, the Biomedical Research Support Grant Program. We hope the day will come when NSF can also address this critical institutional need.

CONCLUSION

In conclusion Mr. Chairman, we strongly support the broad strategy of the President to strengthen the basic research programs of the NSF and mission agencies. I can assure you that the nation's colleges and research universities which conduct NSF basic research programs support the recommended budget. We stand ready to be of assistance to you and to the members of this Subcommittee as you consider the issues before you.

I will be pleased to respond to any questions you may have.

WITNESS

DR. JERRY GREY, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

Mr. BOLAND. Thank you again. We appreciate very much your statement and also the position of the various universities that you represent.

We will turn now to Dr. Jerry Grey of the American Institute of Aeronautics and Astronautics. He is here in reference to the NASA budget.

Dr. GREY. Thank you, Mr. Chairman.

I will go along with Mr. Coughlin's view and hit the high points.

Mr. BOLAND. Your statement will be included in the record as you present it to us.

Dr. GREY. I am appearing for Norm Augustine who was not able to make it today.

I would like to say that the AIAA is a private society which represents individuals rather than the industry. We represent some 25,000 aerospace engineers, scientists, and students.

I will speak just briefly on the aeronautics budget. Then I would like to spend a fair amount of time discussing the space budget, the FY 1979 NASA proposal.

We, of course, commend the increase in aeronautics which appears in the FY 1979 budget. I would also like to point out that the budget now supports a $30 billion industry second only to agriculture in its contribution to the United States' balance of trade which, as you know, is getting to be a critical problem.

The relatively tiny budget, although it has been increased this year, still represents a very small input into that substantial business and that substantial generator of taxes, the aircraft industry.

This is particularly important in that the military, which has in the past made significant technology contributions, is now delivering less and less of its technology into the civil area, simply because of its diverging requirements.

The most recent example was the cancellation of the AMST, the military STOL transport, a decision which will have significant impacts on our civil community.

We have highlighted a couple of key points I would like to touch on. One is in the supersonic research area.

The House Science and Technology Committee has reported out an increase to you in the variable cycle engine development, some $12 million. I sincerely hope you will support that increase.

Again, we do not feel that it is appropriate to develop a supersonic transport, but the market will grow and the market will be here shortly.

Unless our technology is ready for that development when the time comes, we feel that the European market, the European manufacturers will overtake us as they are now doing in some of the subsonic aircraft today.

A second area which we hope you will support is the composite primary structure addition to the budget which the Science and Tech-

nology Committee asked for, some $27 million. We, again, support that.

We feel, however, there are two areas in which support is greatly needed and where it is not given. One is the hypersonic research area.

Now, a hypersonic transport is much farther in the future. It represents the cutting edge of our technology. It is what keeps us ahead of the world in aeronautical technology. It is now one percent of the NASA aeronautical budget, which is only a tiny fraction.

We feel the loss of a research airplane project at this time would be critical. We would like to see that project supported even more.

Finally, we are not in favor of the cut which the Science and Technology Committee recommended in the aircraft energy efficiency program.

We feel that the efficiency with which aircraft consume their fuel is a critical issue.

In view of the relatively minuscule aeronautics budget in general, we feel that the tiny amounts of money we are talking about relative to the overall budget represent a much needed increase.

I would like to turn now to a discussion of space.

Here our concerns are again mainly with very small amounts of budgetary increase for long-range applications.

NASA has turned increasingly in this current budget towards applications. Whereas we feel that these are extremely important and necessary (the regional applications program, for example, will strongly support the gentlemen who are here talking about increasing farm output by use of Landsat satellites and their derivatives), in the long term we are sacrificing some of the key elements which sustain our vital space technology. One of these is propulsion. One is space power. The third is large space structures.

Again, I repeat, I am talking about very small budgetary allocations on the order of $10 million rather than hundreds or more.

Propulsion is the key to the proper utilization of the shuttle. Right now the space shuttle coming into existence in the next few years has two relatively, rather than highly, advanced upper stage transportation devices.

We feel that the lack of a strong research and development effort in liquid propulsion rockets in the NASA centers will cause the shuttle to suffer because of competition from Iran, for example, in the mid-1980s; and we also feel that many programs which could otherwise be effectively implemented are being omitted from NASA's program because of the lack of an adequate upper stage.

Here again we are talking about a relatively small amount of money.

We need to reestablish the cadre of skilled rocket technologists that appeared in NASA during the development of the F–1 engine, the J–2 engine, and so on.

It is conceivable that the problems that the space shuttle main engine is running into now or due to the fact NASA does not have a strong supportive research and technology base in propulsion.

In space power, which is the key to orbital capability, the shuttle fuel cell is highly limited at the present time. NASA had asked initially for a 25 kilowatt electric power support module for the shuttle in the space lab; this has now been reinstated by the Science and Technology Committee. We hope you will support that.

Turning a little farther into the future, the Department of Energy does support a nuclear reactor program for technology. NASA has no commensurate support for that program in power conversion, in energy rejection, or in some of the systems aspects.

We feel that such support is critically needed.

In large space structures, which are the key to future systems applicability, we feel that the program is barely underway at NASA.

There have been some supportive measures introduced by the Science and Technology Committee. We will hope you will support them.

We would like to see these increased. They are small.

We are not talking about blue sky, far future applications, but applications such as the next generation of communications satellites which will provide substantial business income which will generate more taxes and which, again, can be utilized to develop extensively our capabilities in space.

One particular element in the large space structures area that I would like to spend a moment or two on is the satellite power station.

As you know, the satellite power station offers the prospect for developing very large amounts of terrestrial power at environmental costs relatively low compared to other systems and do so on continuous base load delivery basis.

The problems with the satellite power station are that we don't know yet what its costs will be; we don't know what some of the environmental impacts will be; and, although the technology is well known, some of the details and the engineering aspects of that technology need to be developed.

The present $4.6 million Department of Energy budget is a paper study. We do not believe it includes many of the necessary requirements.

Two of our technical committees have developed a position statement on satellite power stations which I have described in some detail in my written statement.

These committees have drawn one or two key conclusions to which I would like to call your attention.

One is that the present DOE study does not include any technology verification. Without such technology verification, the environmental, sociological and cost studies they purport to do cannot really be completed.

Secondly, we feel that the DOE study is aiming too soon at a freezing of a base line design for the system. It closes off a great number of options that will never be pursued as a result of that too-early base line design.

We would like to see these options kept open and the technology verification for all of them pursued.

Finally, we recommend a level on the order of $30 million a year rather than the current $4.6 million a year to conduct these studies. In my statement I detail some of them.

There is no room in that $4.6 million to look at innovations which might reduce the cost. And we have seen a number of these come along.

There is no money to support the exploration of those innovations. Again, I listed them in my study.

As you know, H.R. 10601 has been proposed, a bill to provide approximately the level of funding we suggested. I understand there is now a companion Senate bill introduced by Mr. Melcher.

However, should that bill not go through, we feel the NASA budget should incorporate many of these elements because they are applicable to many other NASA missions besides the space power station.

Just for perspective, there are $460 million going into nuclear fusion this year.

Mr. TRAXLER. How much is that?

Dr. GREY. $460 million in nuclear fusion, plus additional military-oriented technology which, nevertheless, does apply to fusion. The fusion system applies in approximately the same time frame and, we feel, has higher economic and engineering risks than does the satellite power station.

That is just to give you a perspective. I don't mean we should stop the fusion effort. But we certainly should enhance the satellite power station.

The space shuttle, which is the key to all I have been talking about is now up for a $4 million appropriation for the fifth orbiter.

The Science and Technology Committee reinstated that. We hope you will support it if only as term insurance at this point to make sure that, in the event of a malfunction in the early phases, we will have that fifth orbiter available, although there are other good reasons for it which you have heard before.

Final comment: we know you need to keep the budget down. One of your key purposes, your key goals, is to trade expenditures, increases versus decreases.

In this case, however, I am talking about very small amounts of budgetary increase. We are talking about one of the few controllable items.

Mr. Boland, you indicated that 75 percent of the federal budget is uncontrollable. NASA falls in that remaining 25 percent.

Of course, there is a squeeze to keep it down. We feel that keeping it down reduces considerably the potential for generating the income which will keep that other 75 percent going.

Therefore, the kind of research efforts that I have discussed here today are at a very low level, on the order of tens of millions of dollars. They are the kinds of things which sustain the technology which will develop the income we need to support the rest of our federal budget.

There are all too few areas in the federal budget which both increase the gross national product in the long run and also improve our balance of payments.

The NASA budget, which is a very, very small one—and I am talking about even smaller increments within that—is one of the few that does that.

We think it is a good bargain. We would like very much to see you support some of the recommendations of the Science and Technology Committee.

[The complete statement follows:]

STATEMENT BY NORMAN R. AUGUSTINE, VICE PRESIDENT, PUBLIC POLICY, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

The American Institute of Aeronautics and Astronautics is the technical society whose membership of 25,000 engineers, scientists, and students represent all the disciplines of aerospace science, technology, and applications. We have frequently presented testimony on aerospace activities before this Subcommittee,

and we appreciate this opportunity to express our views on the nation's aeronautics and space programs as currently defined by the President's proposed FY 1979 budget.

In aeronautics, we are certainly pleased so see an increase in excess of inflation, but we also point out that the total aeronautical research budget, which helps support a $30 billion/year industry and a substantial and much-needed positive impact on our balance of trade, still constitutes only 5.8% of the proposed FY 1979 NASA budget. In particular, the Research and Technology Base portion of that aeronautical research budget, whose 10.7% increase this year slightly exceeds inflation, has dropped from 48% of the total aeronautical R&D budget (in FY 1977) to only 41% in FY 1979.

Now that military aeronautical R&D's applicability to civil aviation systems is so much less than it was during the early years of jet aircraft deployment (the most recent manifestation of this trend was the cancellation of the AMST), the dependence of our national civil aviation industry on NASA R&D to reduce the risk of employing potentially beneficial new technology is stronger than ever. Hence, although we clearly recognize the concerns this Subcommittee has about overall budget increases, we point out that increasing the overall aeronautical R&D budget by a miniscule percentage of the total federal budget could have enormous impact as a potentially high payoff investment.

Two specific areas of weakness in the Administration's aeronautical budget proposal have already been strengthened by the Science & Technology Committee's authorization request: restoration of $26.7 million for the flight test phase of the composite primary aircraft structures program, and restoration of $12 million to augment and accelerate the variable cycle engine. We strongly support these recommended increases; indeed, we wish they could be higher. But again, although we recognize your Subcommittee's desire to balance budget increases by corresponding decreases, we believe that in this critical area, aeronautical R&D, not only should there be no reduction in the energy-efficient transport program (as recommended by the Science & Technology Committee), but there should have been an increase.

We are also most disappointed in the continued lack of emphasis on hypersonic aircraft research. While there is little likelihood for early implementation of this research in the form of an operational aircraft, it does represent one of the few real opportunities for major advances in the science of atmospheric flight. The lack of a hypersonic research aircraft program comparable in scale to the X–15 continues to hamper any real progress in this key research area, and results in a continuing erosion of the nation's already too-small cadre of technical capability in the aerodynamics, structures, controls, heat transfer, and propulsion technologies applicable to hypersonic flight.

Another area of weakness is in rotary-wing aircraft technology. Here our concern is not so much with the *rate* of growth but rather with the absolute magnitude of the funding. Only two years ago, the relevant rotary wing line item was funded at merely $100,000. Hence, significant rate of growth was inevitable if the program was to even approach viability. Despite the increased FY 1979 budgetary attention given by NASA to rotary wing technology, much still remains to be done in such areas as noise suppression, vibration reduction, advanced dynamic components, fly-by-wire control systems and rotor materials; and although NASA's program does incorporate these areas, we believe they could benefit by increased support. Further, additional prototyping is needed in advanced compound helicopters of a type suitable for commercial transportation, as well as heavy-lift systems for both military and civilian application. As in other areas of civil aviation, U.S. efforts are facing increasingly formidable competition from abroad, particularly in Europe. A significant technology effort will be required if we are to remain competitive and to realize the promise of future rotary wing designs.

The balance of my statement is devoted to space. In the past two decades, the U.S. space program has come nearly full circle. Our initial efforts were of necessity exploratory, seeking to develop the technology and capability needed for more ambitious future endeavors. In the decade of the 1970's we turned more and more to the utilization of our space capabilities to improve the quality of life here on Earth. Applications to communications, meteorology, national defense resource detection, and the development of new scientific knowledge about the Earth, the Sun, the solar system, and the stars have become the principal focus of space activities.

Now, we are preparing to begin again the process of maturing a whole new gamut of capabilities. The advent of the space shuttle both enlarges our ability

to perform applications-oriented missions and opens new vistas of what we can accomplish in space. But, while NASA does an excellent management job in general, and while the FY 1979 budget devotes adequate attention to the applications (including scientific exploration)—which is both excellent and necessary—the agency is not preparing properly for the potential expansion of space activities which is made possible by the introduction of reusable space transportation systems.

Our most serious concern is the lack of adequate technology programs in those areas most needed for fulfillment of the promise of space. These include propulsion and power, under the jurisdiction of the Office of Aeronautics and Space Technology, and Advanced Programs in the Office of Space Transportation Systems.

The lack of a sound NASA rocket propulsion technology program, identified over three years ago by NASA's own Research and Technology Advisory Council, is already beginning to affect plans for proper shuttle utilization. Many of the shuttle's prospective customers require higher energy orbits than the shuttle orbiter can provide, especially geosynchronous orbits and Earth-escape trajectories. The projected inertial upper stage and spin-stabilized upper stage do not begin to meet the capabilities which will be required of a standardized orbital transfer vehicle—and the principal lack is that of a good, advanced liquid-propellant rocket engine, which in the long run could reduce transportation costs and make the shuttle system economically more attractive. As a consequence, the shuttle may suffer a serious loss of potential business; e.g., to the ESA Ariane launch vehicle.

But the lack of an active and viable rocket propulsion technology program has even more serious consequences: a loss of intrinsic capability in this area. Our impressive past successes in space were in no small measure the result of several decades of building propulsion capability: test facilities, production facilities, support facilities, propulsion hardware, and, most important, people. NASA's cadre of experienced rocket propulsion personnel is dwindling rapidly (as are key NASA cadres in other space technologies). There are no new people coming along to replace them, because there are few programs for them to work on. The industry cannot develop new engines on their own; such high-risk efforts classically are performed by government laboratories. And because virtually all space activities require propulsion, the absence of a strong, continuing program of research and technology implies an approaching obsolescence in our entire future space program.

In this connection, it is interesting to note that the development of the F–1 and J–2 engines which powered the Saturn–V Apollo launch vehicle represented a considerably greater technology step over previous engines than does the space-shuttle main engine (SSME) over the J–2 and the Centaur's RL–10. Was it the presence of a strong and active NASA research effort in liquid-propellant rocketry, now hardly visible in the NASA program, which made the development of those earlier engines so much smoother than that of the SSME, despite truly massive technical problems such as combustion instability? A rejuvenation of NASA's liquid-rocket R&D program, which decayed most visibly when the Lewis Research Center turned its primary attention to the terrestrial energy research, would cost very little, but would provide the sound base needed to exploit our potential growth in space capability during the 1980's and 1990's.

I turn now to our second space technology concern: spacecraft power. It is already evident that even the shuttle's full-cell powerplant, basically an Apollo derivative, will limit several projected Spacelab and other missions. And fuel cells are only short-term power sources. The next commercial phase of space activity—generally recognized as the development of new and improved communications functions—will require substantially greater long-term power than the maximum of a few kilowatts now available from current photovoltaic power supplies. Projections to more ambitious programs in the industrialization of space, which I will touch on later, identify on-board electric power as one of the principal limitations. Both photovoltaic supplies, which can provide power efficiently up to perhaps 50 kW, and nuclear reactor system for power levels increasing to 100 kWe and above will be needed, probably well before the close of the next decade. We say this in full awareness of the recent Soviet nuclear satellite situation in Canada, because we are convinced that proper attention to launch safety and reentry of space nuclear power systems can provide adequate safeguards under the most severe conditions. The Department of Energy has indicated some interest in developing new reactor power sources to deliver 10 to 100 kWe, but considerably more intensive effort will

be required to develop the necessary power conversion and waste-heat radiator subsystems, as well as overall system applications.

The only NASA effort directed at new space power system buildup—a relatively modest 25 kWe photovoltaic power module for use with shuttle and Spacelab payloads, was deleted from NASA's Advanced Programs budget despite the fact that a good case can be made that it will pay off its entire development cost in 2 years of operation. We were pleased that it was reinstated by the Science & Technology Committee, and we hope your Subcommittee will support that reinstatement. But this small effort, although certainly most welcome and necessary, does not begin to satisfy projected power needs for the late 1980's and 1990's which, in view of the long lead times required, should have been underway already.

Another major weakness in the proposed FY 1979 space technology budget is the lack of a responsible, coherent research and technology program aimed at understanding the fabrication, deployment, utilization, evaluation, and maintenance of large structures in space. The preponderance of space activities which have been suggested for the late 1980's and 1990's will require not only the higher levels of on-board power I have already mentioned, but also the use of much larger structures than those utilized heretofore. These structures will be too large to launch in prefabricated form, as was done with Skylab; they will need to be either assembled, deployed from prefabricated substructures, or actually manufactured in space, perhaps by servo-mechanisms in the early application stages, but eventually by people. And whereas there has been an impressive start made on the earliest conceptual formulation of such structural systems via a relatively miniscule NASA funding program, it now appears that the natural expansion of such promising early efforts is not to be implemented.

The applications for such large structures are not limited to the far future. Our next generation of communications satellites are expected to perform a number of new functions in public service activities, in direct broadcasting, in navigation, in military reconnaissance and communications, and in many tight-beam communications applications, as we have described in a recent AIAA publication, "Space—A Resource for Earth." These activities require not only more on-board power but also much larger antennas—some perhaps hundreds of meters in diameter. Edelson and Morgan, in a recent article in the AIAA magazine "Astronautics and Aeronautics," suggested an exciting concept to serve a multitude of these communications functions: the orbital antenna "farm".

But we do not yet know whether our ideas on how to build, launch, control, maintain, and move these large antenna structures are feasible, practical, or cost-effective. And the use of space-based communication systems is not a wild-eyed dream of the future—it is an area of space activities that has been shown historically to be productive, profitable, and beneficial to people in every walk of life and in virtually every nation on Earth. It would appear that a modest but growing NASA technology effort in this area would be well worthwhile, as has been recognized by the Science & Technology Committee in its recommendation for a $7 million increase in advanced systems and a $3 million increase (in OAST) for large-structure efforts. Again, we hope your Subcommittee will support these recommendations.

The need for an active program on large space structures becomes even more significant for other areas of space industrialization. Perhaps the most interesting of these longer-term prospects, the one having the most significant potential impact on the Earth's peoples, is the space-based solar powerplant, or satellite power station (SPS). Although certainly a high-risk prospect economically, it is based on relatively well-known technologies (as compared with fusion, for example) and has truly enormous potential as an inexhaustible and environmentally relatively benign energy source. As such, it merits far more than the $4.6 million "paper-study" allocation in DOE's FY 1979 budget proposal. Nuclear fusion, for example, which (if feasible) could begin to be implemented commercially in about the same time frame as the SPS, gets $460 million, plus additional military weapons-oriented (but technically related) support.

Our primary concern with the current DOE effort is that the technology verification and advancement experiments which are essential to the decision making process cannot be accomplished within the $4.6 million budget. This concern has been recognized by a number of members of the House of Representatives who have sponsored or endorsed Mr. Flippo's HR 10601, a bill which mandates a $25 million/year effort to evaluate SPS viability. Two of AIAA's technical com-

mittees have just completed preparation of a position paper on the SPS; I will respectfully request that it be included in the record as soon as it has been approved and released by our Board of Directors. Meanwhile, however, the following summary of its conclusions might be of interest to the Subcommittee:

Studies of SPS systems over the past year have indicated that:

There are no technological barriers to development of SPS power systems.

SPS power may be economically competitive with alternate sources by the year 2000. Significant uncertainties still exist as to the cost of electricity derived from SPS's; uncertainties also exist regarding the costs for alternatives. The newer SPS results show lower costs and less uncertainty than those estimated one to two years ago.

Environmental issues require further analysis and resolution. The most significant of these issues are the effects of the microwave power beam, the land use requirements for ground receivers, and the effects of launch vehicle emissions on the upper atmosphere.

International aspects of the program require further definition. Many questions exist regarding ownership, liabilities, allocation of frequencies, and use of geosynchronous orbit space.

Initiation of a major development effort for SPS should be preceded by a technology verification program to confirm subsystem performance predictions and provide an adequate data base for system design. The current DOE—NASA program includes no technology verification effort.

Based on the results of these studies, the AIAA Technical Committees on Aerospace Power Systems and Space Systems reached the following conclusions:

(1) The SPS represents a promising concept for a future energy system; the SPS effort will probably be carried further than the present study phase; and a decision to proceed with SPS development may be desirable in the next few years. Such a decision must be based on verification of the projected technology. Technology verification should be added to the present DOE–NASA plan and funding provided for its accomplishment.

(2) Technology verification can presently be regarded as a schedule constraint for potential availability of SPS-derived energy. Initiation of a technology verification program is a logical addition to current SPS efforts; indeed, presently funded efforts which purport to address environmental and cost questions cannot be consummated without technology verification experiments, particularly the environmental impacts on the upper atmosphere. The ground-based program should lead the flight program by one or two years.

(3) The technology program should not be limited to any one SPS concept or class of concepts. It should, rather, be broad in scope and should accomplish, as one objective, the evolution of data that will aid in preferred concept selection. The intent of the Department of Energy to define a "baseline" SPS system in 1979 is premature by at least several years, since such a narrowing of options cannot be made properly without the technology verification program results.

(4) The recommended ground-based technology verification program includes energy conversion, materials, structures, electrical systems, RF systems, flight control, space transportation, space construction operations, and space environment effects. It is important to note that this effort would not be wasted even if the SPS should later prove to be infeasible, since these technologies are needed for other projected space utilization applications.

(5) The ground-based technology verification program would require a five-year effort funded at an average level of about $30 million per year. A subsequent flight test technology verification program could be conducted with the space shuttle. Its first phase would include an interferometer spacecraft experiment and shuttle sortie flights. The second phase would be a solar power technology demonstrator in the power range 250 kW to 1000 kW, constructed and tended in low Earth orbit by the space shuttle. Costs for the flight test program are less well defined than those for ground testing; estimated totals are $50 to $100 million for the interferometer spacecraft, $675 million for shuttle sorties, and $2.1 billion for the solar power demonstrator including design, development, launches, construction, and the complete experiment program. Note that none of these activities imply a need for any major new space transportation system other than the space shuttle.

Part of the reason for suggesting a funding level considerably higher than that called for in the FY 1979 budget is to provide an opportunity to explore innovative approaches which could reduce not only the costs of technology verification studies but also the sizable "up-front" cost of an SPS demonstration

(which, incidentally, should not be embarked upon until considerably more data have been obtained from technology verification studies).

One of these innovative approaches, first suggested by Gerard O'Neill (e.g., see "Astronautics & Aeronautics," March 1978, pp. 24–32), utilizes a novel "mass-driver" propulsion system employing "throwaway" shuttle tankage as propellant material. There are also a number of other, perhaps less ambitious ideas which need to be examined. One is Grumman's suggestion to utilize a small-scale (~30 kWe) space-based photovoltaic power module quite similar to one which is now being planned by NASA for shuttle/Spacelab power augmentation in the early 1980's. The module could be used to conduct key space tests on various aspects of the SPS system.

A subsequent prospect for considerably reducing the "up-front" cost of a demonstration SPS is General Dynamics' space-based propellant processing approach. This concept uses the space shuttle to carry water into orbit on all operational flights which do not utilize the shuttle's full payload mass capability. The water is then dissociated into rocket propellants (hydrogen and oxygen) by a small solar power source in an orbital depot constructed from shuttle "throwaway" propellant tanks. The propellants could then be used to boost SPS pilot-plant components into the necessary higher-energy orbits, thus facilitating a major SPS demonstration without the need for a new launch vehicle development beyond the shuttle.

Evaluation of these and other promising concepts, as well as conducting the necessary technology verification experiments, are not possible within the proposed Administration budget. In view of the massive negative economic impact of our present imported energy supply and the sizable budgets allocated to other far-future alternatives, the modest budget increase suggested by the AIAA's technical committees (and independently by Representative Flippo in HR 10601) would appear to be well justified. We recognize that the Science & Technology Committee has authorized an additional $3 million for SPS activities within NASA, but we feel that the essential technology verification program upon which subsequent development decisions must be based cannot be accomplished at an annual budget level much below $25–$30 million.

But even if the power satellite concept should *not* prove out, there is a serious need for substantial activity—in addition to Spacelab—to develop the in-space fabrication capabilities upon which so much of the projected future space effort depends. Thus, independently of the conclusions of the DOE space power satellite studies or of the studies recommended by the AIAA task group, NASA should substantially expand its efforts in this area of activity. The above-mentioned $7 million restored to Advanced Programs by the Science & Technology Committee will help this critical activity. Again, we hope your Subcommittee will support it.

One basic premise which is threaded throughout all the points I have attempted to make in urging a renaissance in space technology capabilities is the importance of a routine, reliable, reusable transportation system to get from Earth's surface into orbit, namely the shuttle. Without such a system, there can be little or no growth in our space activities. It would therefore seem penny-wise and pound-foolish to withhold the mere $4 million needed in the FY 1979 budget to maintain the 5th shuttle orbiter program, if only as a hedge against possible accidental loss of an orbiter during early flight tests in 1979 and 1980. We commend the Science & Technology Committee's recognition of this prospect.

I would like to recognize again, Mr. Chairman, your Subcommittee's need to "trade off" budget increases and decreases so as to keep a lid on total federal expenditures. But as you yourself have pointed out,

"Roughly 75 percent (of the federal budget) is classified as uncontrollable . . . Medicare, Medicaid, Social Security, food stamps, veterans benefits, unemployment insurance, subsidizing housing programs, revenue sharing, and a host of other programs . . . The remaining 25 percent comes under increasing pressure to take the cuts. NASA is one of those agencies that is in that 25 percent—and any President who is struggling to balance a budget . . . will continue to squeeze nearly all controllable programs."

Now, the economic benefits to the nation of high technology programs such as NASA's are admittedly difficult to quantify. A recent analysis which purported to show specific increases in gross national product, increase employment, and reduced inflation rate as a direct consequence of a hypothetical increase in NASA's budget was sharply criticized by the GAO. However, members of the AIAA Economics Task Force, although not necessarily disagreeing with the specific criticisms raised by the GAO, have reiterated the conclusions that direct benefits, substantially in excess of the investment, have historically accrued from

a number of specific NASA-developed technologies, and that such benefits will continue to accrue from future specific activities. A prime near-term example of such a future opportunity is the expansion of satellite communications capability and Earth observation system capabilities into a comprehensive global information system; a far-term one might be satellite power.

It is therefore of great concern to us, who view advanced-technology programs such as NASA's as a major source for the economic wherewithal which supports those "uncontrollables" that make up 75 percent of the federal budget, to see the serious decay projected in NASA's most recent five-year projection (which includes the FY 1979 budget proposal). I quote some of last month's headlines:

"NASA Scales down Manned Space Flight Plans, Budget Projections"[1]
"NASA Reduces Growth Projection for Space Science Programs"[1]
"NASA See Slower Buildup in Aeronautics"[1]

and what might appear to be a headline suggesting a reversal in this trend, "NASA put more Emphasis on Far Term in Space Technology Planning"[1] really means "Funding projections are lower than those made a year ago . . . (but) NASA will reorient space technology work for greater emphasis on far-term programs".[1] To us, that reads "stretchout"—a classical avenue for program deterioration.

We believe NASA's income-generating technology needs to be revitalized, not reduced. Our final point in that connection is that NASA's principal purpose—research and development of new space technologies, systems, and capabilities—should not be allowed to become secondary to the operation of applications programs, with the consequent deemphasis on advanced programs designed to support future needs. We recognize, of course, the need for someone to operate our space systems—Earth resources, space transportation, astronomical and scientific satellites, and so on—but we should not foreclose on our preparation for the future in order to do so.

We strongly support NASA's recent initiative in exploring the various approaches to implementing the operational aspects of space activities. Possible options, in addition to having outside contractors operate the shuttle after the initial "shakedown" period in the early 1980's, are to expand the original NASA charter defined in Public Law 85–568, as was suggested by former AIAA President Daniel Fink in "Astronautics & Aeronautics" back in 1973; to set up new federal agencies; to transfer operational activities to an existing cognizant federal agency (as was done with weather satellite operations); to encourage private industry to take over operations, as was the case with communications satellites; or, when operations have a multinational application, to organize an international consortium such as Intelsat.

It is already clear that the U.S. is not the only nation interested in the potential of space as a long-term economic opportunity. According to British expert Kenneth Gatland, Soviet space planners already believe that "no industrialized nation is likely to remain competitive without access to space". Further, Soviet spacecraft designed Dr. Konstantin Feoktistov's views on space industrialization—particularly solar power satellites—have prompted ". . . many Western observers (to) see the future of space more clearly defined in Moscow than in Washington . . . Unless the U.S. is prepared to capitalize on all the progress it has made in space over the last decade—and go on to develop a space station—we could easily see the big initiative slipping in favor of the USSR."

Thank you for this opportunity to present our arguments in support of the view that too shortsighted a program goal in advancing technological capability can seriously prejudice the attainment of useful and viable national objectives.

Dr. Grey and I will be pleased to answer any questions you may have.

Norman R. Augustine

Norman R. Augustine was born on July 27, 1935 in Denver, Colorado, and was educated in the public schools in that city. He attended Princeton University where he majored in Aeronautical Engineering and was awarded a BSE, magna cum laude, a MSE, and was elected to membership in Tau Beta Pi, Phi Beta Kappa and Sigma Xi. After graduation he took various courses at Columbia University Graduate School of Business Administration, the University of California at Los Angeles and the University of Southern California.

Mr. Augustine's initial professional employment was on the Princeton faculty as an Assistant in Research at the James Forrestal Research Center. In 1958 he

[1] Quotes from Aerospace Daily, March 27–31.

joined the Douglas Aircraft Company in Santa Monica, California where, during a period of seven years, he held positions as Research Aerodynamicist, Design Group Leader, Program Manager and Chief Engineer.

In 1965 he joined the Federal Government in Washington, D.C., in the Office of the Secretary of Defense where he held the position of Assistant Director of Defense Research and Engineering for Tactical Missiles and Ordnance and for Land Warfare. Upon completing his service with the government in 1970, he was presented the Secretary of Defense Meritorious Service Medal.

Mr. Augustine then joined the LTV Aerospace Corp. in Dallas, Texas, where he served as Vice President, Advanced Programs for the Vought Missiles and Space Co.

In 1973 he rejoined the Federal Government in Washington, D.C. as the Assistant Secretary of the Army (Research and Development) and in 1975 became Under Secretary of the Army. During this period he was awarded the Department of the Army Decoration for Distinguished Civilian Service and was twice awarded the Department of Defense Medal for Distinguished Public Service.

In January, 1977 Mr. Augustine joined the Martin Marietta Aerospace Corporation as Vice President for Technical Operations, having corporate responsibility for research, engineering, manufacturing, logistics and capital expenditures. He is also a member of the Board of Directors of International Laser Systems, Inc.

Mr. Augustine is an Associate Fellow and a member of the Public Policy Committee of the American Institute of Aeronautics and Astronautics and has served as a consultant to the Department of the Army, the Department of Defense, and the Executive Office of the President, in the latter capacity assisting the National Security Council and the Office of Science and Technology. He has been the U.S. member of the NATO Group of Experts on Air Defense, has been a member of the NASA Research and Technology Advisory Council, the Policy Council of the Defense Systems Management College, the Advisory Board of the Journal of Defense Research, Vice Chairman of the Executive Committee on Command and Control of the National Security Industrial Association, and has served on the Board of Directors of the American Helicopter Society and the Lone Star Chapter of the American Defense Preparedness Association. He is currently serving on the Advisory Council of the Princeton University Department of Aeorspace and Mechanical Engineering, the Board of Visitors of the American University Procurement and Acquisition Program, the Executive Committee of the Technical Council of the Aerospace Industries Association, the Board of Advisors of the Society of Logistics Engineers, the Public Policy Committee of the Institute of Aeronautics and Astronautics, and as an Associate Editor of the Defense Systems Management Review. He is a licensed Professional Engineer in the state of Texas.

Mr. Augustine has held adult leadership positions with the YMCA and is currently a member of the National Program Evaluation Committee of the Boy Scouts of America. He is married to the former Margareta Engman, and they are the parents of a son, Gregory, and a daughter, René.

Biography Brief for Dr. Jerry Grey

Dr. Jerry Grey received his Bachelor's degree in Mechanical Engineering and his Master's in Engineering Physics from Cornell University; his PhD in Aeronautics and Mathematics from the California Institute of Technology.

His early career included stints as a full-time Instructor of Thermodynamics at Cornell, an engine development engineer at Fairchild, a Senior Engineer at Marquardt, and a hypersonic aerodynamicist at the GALCIT 5-inch Hypersonic Wind Tunnel. He was a professor in Princeton University's Department of Aerospace and Mechanical Sciences for 15 years, where he taught courses in fluid mechanics, propulsion, and nuclear powerplants and served as Director of the Nuclear Propulsion Research Laboratory. He formed the Greyrad Corporation in 1959 and was its full-time President from 1967 to 1971. He is now Administrator of Public Policy for the American Institute of Aeronautics and Astronautics, where he spends half his time; the other half is devoted to consulting practice, writing, and lecturing. He is also Adjunct Professor of Environmental Science at Long Island University, where he teaches courses on energy, and President of the Calprobe Corporation, a supplier of high-temperature instrumentation based on Dr. Grey's patents.

Dr. Grey is the author of five books and over a hundred technical papers in the fields of solar energy, fluid dynamics, heat transfer, rocket and aircraft propulsion and power, plasma diagnostics, instrumentation, and the applications of technology. He has served as consultant to the U.S. Congress (as Chairman of the

Office of Technology Assessment's Solar Advisory Panel), the United Nations, NASA, the Department of Energy, and the U.S. Air Force, as well as over twenty industrial organizations and laboratories. He was Vice President-Publications of the AIAA for five years, Chairman of the Coordinating Committee on Energy of the Association for Cooperation in Engineering (ACE), Programme Chairman of the International Astronautical Congress, and a member of the Explorer's Club. Dr. Grey is listed in "Who's Who in America," "American Men of Science," "Who's Who in Aviation," "Engineers of Distinction," "Contemporary Authors," and the United Kingdom's "Blue Book and Dictionary of International Biography."

Mr. BOLAND. I imagine NASA looked at the budget from the point of view of zero-based budgeting?

Dr. GREY. Yes.

Mr. BOLAND. You put priorities into it?

Dr. GREY. Yes.

Mr. BOLAND. You indicated solar power satellite is one that you are terribly interested in?

Dr. GREY. Yes, sir. We are talking about low expenditures. We do not want a full-scale program.

Mr. BOLAND. Right now you are.

What about taking a little money from some of the other programs that are lower on the priority scale?

Would you like to take a little money from Jupiter and put it into this particular program?

It seems to have a better pay-off.

Dr. GREY. You asked me that question last year. I will give you the same answer this year.

My answer, and I give it again, was that the satellite power station, compared to what the Jupiter Orbiter Probe and programs of that type will give to us, is relatively short term, namely two or three decades of return. The Jupiter Orbiter Probe and the Space Telescope give us a long prospect which I feel we cannot neglect under any circumstances.

Mr. BOLAND. Except we could get into that in the years to come.

Dr. GREY. We postpone whatever benefits are coming. When I talk about benefits, I talk about financial income benefits, which accrue over the long range.

I can't tell you what they are yet.

Mr. BOLAND. I would agree with you there are some great benefits with respect to knowledge of the universe. That's important, of course.

I would imagine that your Association is delighted to know they have changed the name of the Jupiter Probe to Galileo?

Dr. GREY. Yes. I heard someone say Mr. Galileo would be pleased.

Mr. BOLAND. Thank you very much.

Bob?

Mr. TRAXLER. What kind of a threat does the European subsonic air bus pose to us?

Dr. GREY. Well, Eastern just bought 23 of them.

Mr. TRAXLER. And, it just landed at National Airport. Nobody even knew it came in.

Dr. GREY. It is a good airplane. Not only that, but the Europeans are now developing the Joint European Transporter series which is in competition with all of Boeing's 700 series.

In fact, Boeing is now going ahead with their 767 in direct competition. we believe. We feel that it is a very important threat.

There's a great deal of European government money behind these projects, as you know.

Mr. TRAXLER. They seem to be able to put together the financing.

Dr. GREY. A great deal of it is government-financed.

For example, there's just been a purchase of L–10–11s by Pan American that was directly brought about because the British are supporting the Rolls Royce engine and providing Pan American with the financial support.

Mr. TRAXLER. Can the American aircraft industry survive in light of the massive support that our competitors are receiving from their own governments?

Dr. GREY. I don't think there is any question that our industry can survive. What I am saying is that occasionally it needs a few miniscule bits of help, like a $260,000 NASA budget.

The NASA budget, we feel, supports the long-range, high-risk elements that the company cannot afford.

We are not asking for you to support a supersonic transport program. That's far too premature. If NASA can perform the variable cycling in research, and perform the titanium structures research, and some of the platform air dynamic integration research, the companies would be ready to pick that tab up in the 1980s and develop a plane that will compete very well.

Mr. TRAXLER. Tell me what a hypersonic aircraft is, in two sentences.

Dr. GREY. It is an airplane flying faster than the supersonic. It is on the order of Mach 5 and beyond.

Mr. BOLAND. Do you want to tell them how fast Mach 5 is?

Dr. GREY. Five times the speed of sound.

Mr. COUGHLIN. You get there before you left.

Dr. GREY. I did my PhD thesis 30 years ago in hypersonic aircraft.

Mr. COUGHLIN. I can appreciate what you are saying here. Last year when we tried to look at priorities, we put the Jupiter Probe down the list of priorities. This Subcommittee got ganged-up on with your help.

Dr. GREY. I hate to admit it.

Mr. COUGHLIN. However, it is hard for me to be sympathetic, when you are wanting more and when we try to get a priority. There is no ordering or priorities. It is always more.

Dr. GREY. I believe there are priorities. We think the expendable launch vehicle reduction is appropriate. They reduced the support for tracking and data relay systems.

That system, again, is an operational device which applies more toward applications satellites than it does toward advanced research.

I hate to say, "prejudice application satellites" or, "prejudice long-range science," because these all have impacts. If you look at zero-based budgeting, you look at a program in terms of its overall merit, not on the basis of the fixed budget.

Mr. COUGHLIN. How important in your mind, for example, is what you are asking for today, compared to the two Jupiter Probes?

Dr. GREY. They are both important.

Mr. COUGHLIN. You can't say that. Which is more important, in your mind?

Dr. GREY. I don't think I can come up with an answer to which is more important. If I had to, I would go back to the old story of the farmer who has to both feed his cows and provide a roof on the barn, or else they will starve to death, or freeze to death. He can't do either one or the other. He has to do both. He has to put up a weak roof and buy just enough food.

Mr. COUGHLIN. I don't buy it as being the same thing.

Dr. GREY. I am talking about a long-term research project that is just as necessary as a short-term research project.

I see the Jupiter Orbiter Probe as contributing to knowledge which will sustain the human race over the next 40 or 50 years. It is going to become very important.

Mr. COUGHLIN. I understand all that. All I am trying to determine is which is more important in your mind?

Dr. GREY. If I had no choice, if I had a fixed dollar budget, I would say I would do both at a lower level. I would not relinquish either one or the other. I hate to see that happen. I would much rather trade off that prospect against some other program, such as expendable launch vehicles. I don't see why you picked two long-range things to trade off against each other, instead of short range and long range ones. I think the Science and Technology Committee wrestled with this and came up with suggestions we support.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Thank you very much, Dr. Grey.

We appreciate your presence and responses.

NATIONAL SCIENCE FOUNDATION/HUD

WITNESS

KENNETH A. GIBSON, MAYOR, NEWARK, N.J.

We will now turn to the Mayor of the City of Newark, who is appearing on behalf of the United States Conference of Mayors. It is my understanding you want to talk about the National Science Foundation budget.

Mayor GIBSON. And the HUD budget, yes, sir.

Mr. BOLAND. We have you listed for NSF. Are you a member of the science and technology task force?

Mayor GIBSON. Yes, sir.

Mr. BOLAND. Any way you want to handle it. Why don't you go ahead?

Mayor GIBSON. I will attempt to summarize this text, sir.

Mr. BOLAND. We regret we delayed you a little bit. You can understand the problem. You have the same problem.

Mayor GIBSON. Yes.

Mr. BOLAND. Probably much more so.

Mayor GIBSON. We will submit our full statement for the record if that is appropriate. I am Kenneth Gibson, Mayor of the City of Newark, New Jersey. I am the former president of the U.S. Conference of Mayors. We are here to speak for the Conference of Mayors. We urge the Committee to report full funding for the community development program at a level of $3.75 billion plus the requested $400 million for urban development action grants. We also support President

Carter's request for an additional $275 million in action grant funds in conjunction with the proposed urban development plan which was a proposal that the U.S. Conference of Mayors submitted to the President's urban task force.

We ask for the continuation and expansion of the government's National Mortgage Association Tandem Purchase Program in fiscal Year 1979 at the targeted amount. It is also good news for the Conference of Mayors. That program is consistent with our income policy.

We would encourage the construction or rehabilitation of housing under the Section 8 rehabilitation programs. That would assist the cities in making more effective use of existing housing.

Assisted housing areas, these are areas of the budget where we believe increases are warranted. The law called for a six-million assisted housing units during the decade. Only about 2.7 million new or rehabilitated units were provided. The HUD budget for Fiscal Year '79 in our experience locally shows that the Section 8 program is finally beginning to work. Yet the Fiscal Year '79 proposed budget level is basically the same as it was in Fiscal Year '78. It's the policy of the Conference of Mayors to seek funding and action in accordance with the legislatively mandated housing codes, which calls for 600,000 assisted units a year.

We urge the Committee to consider funding at least 500,000 assisted housing units.

Section 312 loan program works. We have demonstrated that in many of our cities, in Newark, and in others. Virtually all of the 1978 funds have been used up. A supplemental appropriation is needed this year if we are to avoid the stop-and-go experience of the past which results in a loss of credibility and managerial efficiency at the local level.

We also support the more than doubling of the 312 program proposed by President Carter in his urban policy message to the Congress. Local communities should be able to use these funds for rehabilitation of small multi-unit housing and for urban homesteading.

The HUD new initiative on troubled projects is generally consistent with Conference of Mayors policy as set forth in the resolution which I would like to submit for the record, and we support its enactment and funding. However, the Conference believes that allocation of these funds should be covered by the HAP. There will never be enough money to handle the total needs of all troubled projects, and local officials should have a role through their HAPs in determining which projects get help.

We understand the problems relative to the 701 programs which are not available to cities over 500,000 in population.

Mr. Boland. 50,000.

Mayor Gibson. I am sorry, 50,000 in population. The local government's role as a partner with the Federal Government in dealing with national problems concentrated in cities has been growing rapidly. It is impractical to expect local governments to take scarce community development funds, which are to primarily benefit low- and middle-income people through the provision of housing and an improved physical environment, and use them for general management improvement. Instead of being neutral or negative on the question of local management of federal resources, we propose a management in-

centive grant program which would support efforts to improve the local management of federal funds, integrate federal program into local budget processes, simplify accounting, auditing, and performance reporting. The Conference of Mayors recommended a $100 million management improvement incentive program for inclusion in the President's urban policy proposals. We urge this Committee to take action to support an initiative of this type.

As for research and technology, the HUD research budget request, which historically has been important to cities, is $10 million above the FY 1978 appropriation level (FY 1978 $52 million; FY 1979 request, $62 million). We support the HUD request. Within the mix of research program activities, Community Conservation Research—which includes research on neighborhood stability—has received an increase in priority that could be useful to communities coping with neighborhood decline.

The Conference of Mayors supports the budget request of the National Science Foundation which has been assisting cities, primarily through its Intergovernmental Science and Public Technology efforts. ISPT supports city-related science and technology information-sharing networks. We recommend a substantial increase in the $6 million proposed for the ISPT budget. Instead of remaining static, we believe the effectiveness of the national and regional innovative networks justifies their further strengthening and expansion.

In addition, the $9 million increase in funding for the Applied Science and Research Applications Directorate, of which ISPT is a part, is almost entirely for earthquake research which we support. It is our recomendation that increased funding be provided to the directorate specifically for research on city problems and issues. The ISPT networks now have the ability to relate local government needs to the capabilities of academic research in new and more effective ways. Technology transfer and mutual efforts between local government and the research community should be expanded in FY 1979, and we urge the Committee to provide additional funds specifically for this purpose.

[The complete statement and attachment follow:]

I am Kenneth A. Gibson, Mayor of Newark, New Jersey, and I appear before you today on behalf of the U.S. Conference of Mayors to testify in support of the FY '79 Department of Housing and Urban Development budget. The Conference is generally pleased with the HUD budget submission. We urge the Committee to support full funding for the community development program at a level of $3.750 billion plus the requested $400 million for Urban Development Action Grants. We also support President Carter's request for an additional $275 million in action grant funds in conjunction with the proposed urban development bank. Continuation and expansion of the Government National Mortgage Association Tandem Purchase Program in FY'79 at "targeted tandem program" is also good news for the Conference of Mayors. Targeted Tandem is consistent with our all-incomes policy and would encourage the construction or rehabilitation of housing Section 8 moderate rehabilitation program would assist cities make more effective use of existing housing.

Assisted Housing

There are areas of the budget where we believe increases are warranted. It has been ten years since the Congress established numerical goals for achieving "a decent home in a suitable living environment" for all Americans. The law called for 6 million assisted housing units during the decade. Only about 2.7 million new or rehabilitated assisted units were provided. The HUD budget for FY' 79 and our experience locally shows that the Section 8 program is finally beginning to work. Yet, the FY'79 proposed budget level is basically the same as it was in FY'78. New construction and rehabilitation starts are estimated to increase by 40% from FY'77-78, and the FY'79 budget projects an additional 64% increase. In contrast unit reservations for new construction and rehabilitation are budgeted to grow by only 12 percent in FY'79. It is the policy of the Conference of Mayors to seek funding and action in accordance with the legislatively mandated housing goals which call for 600,000 assisted units a year. HUD's performance justifies a substantial increase in assisted housing if the momentum which has finally been achieved is to be maintained. We urge the Committee to consider funding at least 500,000 assisted housing units.

The Conference of Mayors shares the Committee's concern about "the numbers game". We believe that the location of assisted housing in accordance with sound local plans is critical to the long-term success of Section 8 and other housing programs. Mayors also recognize the need to strengthen and improve the Housing Assistance Plans which should be an integral part of the city's three-year community development plan and strategy. An increasing number of Mayors are using community development funds, tax abatement, local subsidies,and special arrangements with local financial institutions and other devices to support housing. A major barrier to increased involvement of local general government are the legislatively mandated set-asides. It is impossible for the HAP to be used as a management tool when the bulk of the assisted housing funds are in effect outside its

purview. It is our hope that the Committee will support a stronger role for local government by eliminating the set-asides. Elderly housing needs should be determined through the HAP process. State housing finance agencies should compete for their role as housing producers with local public housing authorities, private developers, non-profit corporations, and others to supply housing at locations specified in the HAP.

Rehabilitation

The Section 312 loan program works and virtually all of the FY'78 funds have been used up. A supplemental appropriation is needed this year if we are to avoid the stop and go experience of the past which results in a loss of credibility and managerial efficiency at the local level. We also support the more than doubling of the 312 Program proposed by President Carter in his urban policy message to the Congress. Local communities should be able to use these funds for rehabilitation of small mutli-unit housing and for urban homesteading.

Troubled Projects

The HUD new initiative on troubled projects is generally consistent with Conference of Mayors policy as set forth in the resolution which I would like to submit for the record, and we support its enactment and funding. However, the Conference believes that allocation of these funds should be covered by the HAP. There will never be enough money to handle the total needs of all troubled projects, and local officials should have a role through their HAPs in determining which projects get help.

Capacity Building

A priority need for city governments is capacity building, and unfortunately, the FY'79 HUD submission gives scant attention to this important issue. City governments were able to use Section 701 funds to improve the efficiency and effectiveness of local general government by increasing their capacity to govern. For many cities it was the capacity building, not the planning aspect of the 701 Program, which made it valuable to them. Now the 701 Program is not available for cities over 50,000 in population. Neither the new urban extension program nor the HUD research budget adequately address this issue.

Local government's role as a partner with the federal government in dealing with national problems concentrated in cities has been growing rapidly. It is impractical to expect local governments to take scarce community development funds, which are to primarily benefit low-and moderate-income people through the provision of housing and an improved physical environment, and use them for general management improvement. Instead of being neutral or negative on the question of local management of federal resources, we propose a management incentive grant program which would support efforts to improve the local management of federal funds, integrate federal programs into local budget processes, simplify accounting, auditing, and performance reporting. The Conference of Mayors recommended a $100 million management improvement incentive program for inclusion

in the President's urban policy proposals. We urge this Committee to take action to support an initiative of this type.

It is our hope that this will be the year of the urban policy. The HUD legislative and budget proposals will be an important part of the urban policy. We look forward to working with this Committee, the Congress, HUD, and the rest of the Executive Branch in creating a workable national urban policy with a delivery system, and funding, which will make it effective.

Research and Technology

The HUD research budget request, which historically has been important to cities, is $10 million above the FY '78 appropriation level (FY '78 $52 million; FY'79 request -- $62 million). We support the HUD request. Within the mix of research program activities, Community Conservation Research -- which includes research on neighborhood stability -- has received an increase in priority that could be useful to communities coping with neighborhood decline.

The Conference of Mayors supports the budget request of the National Science Foundation which has been assisting cities, primarily through its Intergovernmental Science and Public Technology (ISPT) effort. ISPT supports city-related science and technology information sharing networks. We recommend a substantial increase in the $6 million proposed ISPT budget. Instead of remaining static, we believe the effectiveness of the national and regional innovative networks justifies their further strengthening and expansion.

In addition, the $9 million increase in funding for the Applied Science and Research Applications Directorate, of which ISPT is a part, is almost entirely for earthquake research which we support. It is our recommendation that increased funding be provided to the directorate specifically for research on city problems and issues. The ISPT networks now have the ability to relate local government needs to the capabilities of academic research in new and more effective ways. Technology Transfer and mutual efforts between local government and the research community should be expanded in FY'79, and we urge the committee to provide additional funds specifically for this purpose.

123. Operating Subsidies

WHEREAS, taxes, utilities, and other costs of operating federally subsidized housing projects, including conventional public housing, have been increasing at a rapid rate; and

WHEREAS, owners and managers of these projects are faced with increasing rents and not serving many of the people for whom the projects are designed or risk default or project foreclosure due to an inability to collect enough rent to perform necessary maintenance and make mortgage payments; and

WHEREAS, many existing subsidized projects have reached the age at which, without additional subsidies, the rate of default and/or foreclosure is likely to increase substantially; and

WHEREAS, existing programs of operating subsidies are plagued by inadequate funding and administrative difficulties, including the inadequate involvement of local officials in decisions about the use of operating subsidies,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors calls on the federal government to adopt a consolidated operating subsidy program for existing federally subsidized housing units which would be subject to allocation within communities on the basis of local housing assistance plans and would be distinct from assistance programs designed to expand the housing stock through new construction or substantial rehabilitation.

RESOLUTION ADOPTED

Forty-fifth Annual Meeting
UNITED STATES CONFERENCE OF MAYORS
Tucson, Arizona
June 15, 1977

Priority Concerns Related to National Science and Technology Efforts

WHEREAS, the U.S. Conference of Mayors recognizes the essential contribution that the application of science and technology can bring to advancements and improvements in local governmental service delivery; and

WHEREAS, the U.S. Conference of Mayors has worked to bring the realization of those benefits to cities through its support of the efforts of Public Technology, Inc., the Urban Consortium, and other city-sponsored programs whose goal is science and technology utilization; and

WHEREAS, it has become increasingly clear that if the research and technological capacities of the nation are to be focused on the real needs of this nation, then certain fundamental action by the national government must be taken,

NOW, THEREFORE, BE IT RESOLVED that the U.S. Conference of Mayors calls for, as a minimum, the following items and activities for federal action:

1. The Activities of the Office of Science and Technology Policy (OSTP)—

   The U.S. Conference of Mayors supported the re-establishment of the White House Office of Science and Technology Policy. Since its re-establishment, the U.S. Conference of Mayors has worked actively with this office in the establishment of the Intergovernmental Science, Engineering, and Technology Advisory Panel as one mechanism for pulling together the interests and needs of the local governments.

   We call on OSTP to continue its activities with regard to this intergovernmental panel, in a fashion which will make its endeavors as meaningful as possible.

   We call on OSTP to provide general leadership in the area of helping local governments obtain greater utilization of the results of the $26 billion annual federal investment in science and technology research and development.

   The same act which created OSTP also called for the appointment of a President's Committee on Science and Technology Policy for the purpose of conducting a two-year study of the "federal science, engineering, and technical effort."

   In appointing such a Committee, we call upon the President to recognize the overwhelming interest and importance of local government activities in the area to be reviewed, and to seek out persons with local government experience in his appointments.

2. The Activities of the Office of Management and Budget—

   The cities recognize the important fiscal consequences which the application of science and technology can have on municipal productivity.

   The cities also recognize the positive contribution that cities can make to various national efforts, such as energy conservation, if appropriate technologies are employed in daily service operations (i.e., providing for energy resource recovery from solid waste disposal activities).

   We call upon the Office of Management and Budget to ensure that the importance of the fiscally significant service improvements, which cities can offer through better utilization of science and technology, is recognized within the total national science and technology efforts.

3. Local Government Participation in Policy Making—

The U.S. Conference of Mayors long has advocated the direct participation of local government officials, and persons with local government experience, in the policy decisions of all federal agencies doing research and development with an impact on local governments. Specifically, we call for the appointment of persons with local government experience to the governing and advisory boards of various federal agencies, including the National Science Foundation Board.

4. The Federal Laboratories—

The U.S. Conference of Mayors long has recognized the potential resource that the federal government's laboratories and research and development centers represent as delivery systems for technology transfer. The scale and mix of these publically-owned facilities are extremely impressive—over 500 laboratories, employing some 120,000 scientists and engineers, scattered throughout 32 of the 50 states, with a combined annual expenditure in the range of $12.5 billion per year.

- We call for a continuation of the efforts to organize these largely unconnected facilities into a network which actively could support research and development, and further call for the direct collaboration between the laboratories and the networks of cities to bring about technology transfer for state and local benefit.
- We call upon the Administration to take whatever steps that are currently available under present law to direct this resource away from its almost exclusive dedication to the purposes of the central government, and toward those of state and local government.
- We call upon the Congress to examine this resource as to its state and local government benefit potentials, and to lift any restrictions which might inhibit the realization of these potentials.

5. Strengthening Our Local Institutions—

The U.S. Conference of Mayors recognizes the need to strengthen the institutional mechanisms for the transfer of technology to our nation's cities. The U.S. Conference of Mayors has worked to strengthen such groups as Public Technology, Inc., the Urban Consortium, and other national, state, and regional networks of cities as institutions of technological information exchange and dissemination. We call upon both the Congress and the Administration for greater support of these and other institutions whose purposes are to enhance local government service through application of public technology.

6. Cooperation by Local Government—

The U.S. Conference of Mayors encourages the utilization of governmental units through cooperative agreements, networks, joint power arrangements, etc., so that the base can be large enough to efficiently and effectively act upon proposed technological changes.

Mr. BOLAND. Thank you very much, Mr. Mayor, for a very reasonable statement.

Let me ask you about the intergovernmental science and technology effort. Has Newark received any funds under this program?

Mayor GIBSON. No, sir.

Mr. BOLAND. In taking your subjects backwards, research and technology, I think I can say for the full subcommittee that we are rather pleased with the direction in which research and technology policy is going.

We have been engaged in this for a long period of time. There has been an awful lot of money poured into research. We think now that it's going into the right areas. We appreciate the position of the Conference of Mayors on it. Rehabilitation has been a program that all of us have been interested in here on this subcommittee.

I appreciate your reference there.

I am not sure that we can provide the additional assistance and housing units. We recognize the necessity of them. There is, of course, as you know, better than anyone—probably mayors know it better than anyone in the government—that there is a limit to the moneys that can be made available at particular times.

But your statement is a good one with reference to that, too.

I might say on the issue of urban development, and the $275 million Urban Development Action grant funds in conjunction with the President's policy recommended by the Conference of Mayors, I understand that would require authorization and we will have to meet that when authorization comes from the legislative committee.

Did you get a UDAG?

Mayor Gibson. Yes, sir, for neighborhood improvement program.

Mr. BOLAND. What was the leverage between HUD's grant and also the business contribution? How much was business actually putting into it?

Mayor GIBSON. I am going to take it off the top of my head. I think we were about one-third business.

Mr. BOLAND. You were probably more than that. How much was the grant, the total?

Mayor GIBSON. Just under $2 million.

Mr. TRAXLER. Where was the balance of the money coming from? Was that city money?

Mayor GIBSON. Yes, sir. We had city money and some HUD funds which had already been used to give rebates in our neighborhood improvement program, had been set aside for rebates. It was used to expand the program.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. I want to thank you for your statement and for appearing here. I am very sympathetic. We hear about a lot of distress in our cities. We don't hear as much about the real remarkable job which has been done in our cities over the past 15 years or so, including your own. Things have happened. That's also gratifying.

Let me ask one follow-up question to the Chairman's question concerning HUD research budget for which you indicated support.

In your own city, have you had experience with HUD research money being spent? If so, what has it been?

Mayor GIBSON. We have not had much experience with HUD research funds in Newark.

We believe, though, that with the kind of—what we feel is improved HUD management and effectiveness, that these research programs will help us to better implement the programs HUD will be putting into our cities.

Mr. COUGHLIN. You had no direct experience with any of the HUD research programs?

Mayor GIBSON. Not specifically for Newark. They came in and we had discussions, but not for a specific research grant.

Mr. COUGHLIN. Thank you.

Mr. BOLAND. I noted that, incidentally, on the urban development action grant, that there is an aid for leverage to Newark. I presume that was one of the best. I am talking about the private sector commitment which amounts to about 8.5 for Newark, which is a good commitment.

You apparently had a lot of community interest in this, particularly from the private sector up there.

Mayor GIBSON. We have an outstanding relationship with the private sector, a model relationship. They are working with us to rehabilitate a historic district in downtown Newark. They are frankly doing almost all of the work.

Mr. BOLAND. What's the population of Newark now?

Mayor GIBSON. About 400,000. We are officially 380,000.

Mr. BOLAND. Is there much of an outflow?

Mayor GIBSON. The update shows not much of an outflow since the 1970 census.

Mr. BOLAND. Bob?

Mr. TRAXLER. Nothing. Thank you, Mr. Chairman.

Mr. BOLAND. Mr. Mayor, we appreciate your statement and the position of U.S. Conference of Mayors. We are delighted to see you. Nice to have you with us.

NSF-SCIENCE EDUCATION

WITNESS

D. LEWIS S. SALTER, DEAN FOR ACADEMIC AFFAIRS, KNOX COLLEGE

Mr. BOLAND. We now turn to Dr. Lewis S. Salter, the Dean for Academic Affairs at Knox College.

If you have anything to add to the distinguished Doctor from Michigan State, we would be glad to hear you.

Dr. SALTER. I believe I do, Mr. Chairman.

Mr. BOLAND. We are very glad to hear you. Why don't you proceed? You are addressing the NSF budget.

Dr. SALTER. That's right, Mr. Chairman. The NSF Science Education Budget, in particular. We are particularly appreciative, Mr. Chairman, of your previous support of the Science Education Budget and recognize that the cuts that have been disappointing in the past have not come from this subcommittee.

I begin my statement, Mr. Chairman, with a couple of references to some big issues that we feel are important.

I would be glad to comment on them. I would like to turn specifically to questions of the appropriateness of some of the Administration's budget items for science education.

I begin by noting that if you look at the NSF budget for science education programs, there are two kinds:

Support and innovation. Support programs help us maintain the continuing costs of science education clear across-the-board from elementary school to graduate students. Innovative programs represent short-term responses. An example is special programs for women and minorities. Both are important and both seem severely underfunded in this budget.

We would like to speak from a rationale and not simply a special pleading.

If you look at the Appendices A and B, the principal statistic is this: in real 1967 dollars, basic research support has increased 96 percent since 1968, science education support has decreased 79 percent during the same period.

Funds clearly have been transferred from one to the other. Yes, we grant that the decrease in the level of science education support has been appropriate, as we have moved out of the post-Sputnik period.

We would like to make the point that while we are agreed with the necessity of high priority funding of basic science research, we have paid a price for the drastic termination and reduction of programs in science education. Undergraduate science education is pivotal. Our students go on to teach elementary schools. They go on as lawyers entered in public service. They get their general education in science with us, and then a small fraction become future research scientists.

The proposition that dollars spent in maintaining the value of science education at the undergraduate level have more leverage than any other level of science education.

We are interested at this point in maintaining. We can't speak of improving, because we are just running hard to stay even.

Where are the pressure points? Two main pressure points. One is equipment and expendable supply costs.

Fetal pigs cost us 50 cents four years ago. They now cost $2.00. We use them in every beginning biology course.

Now, I want to be clear. Presently existing NSF funds are not available and should not be to support our disbursements for expendable supplies.

That's our burden, but the federal funds for which we compete in peer-panel review process are most welcome and needed, because they give us a help in coping with the costs of newly available capital equipment.

We would like to see them more helpful in helping us cope with replacement costs.

The program that has principally helped us has been the Instructional Scientific Equipment Program, ISEP. It is an important plank in a general rational program which supports science education. In the budget before you it is proposed for funding at the low level of $3 million. We urge that it be funded at the level of $9 million so that it could include funds for replacement of worn-out equipment, as well as the purchase of newly developed apparatus.

A previous speaker this morning referred to the big bind in research instrumentation. We support that and would note that the earmarking by Congress last year of a certain portion of funds to be made available for small research instrumentation in Notice No. 69

did not make this intent clear, the intent that the program could be broadened for access from institutions like our own.

We hope the Congress will clearly define for NSF the intent of this program.

The second plank or pressure point is that of faculty stimulation. Now we come to two very important programs which I am sure the members of the Congress have been hearing a lot about.

The undergraduate research participation program and a different variant on the same theme, the student-originated studies, SOS.

These fulfill several important functions. They are important for faculty development and renewal. They are important in helping to identify those really superior prospects for scientific research careers, who come along in every student generation.

NSF has criticized the URP program, we think, on simply a wrong-headed basis. Be that as it may, URP and SOS are cut to zero, proposed for total elimination in the budget before you. An associated program that has been helpful in meeting faculty development needs, the Science Faculty Development Program, has been cut back to an inadequate level of $2.1 million.

Mr. Chairman, we would urge the retention of URP and—into which SOS could reasonably be consolidated. We would urge its restoration of a funding level of $5 million. That is not an arbitrary figure. In Appendix C, we show the data in terms of the numbers of meritorious proposals submitted which would justify that figure.

We would argue that the same level of funding $5 million might be appropriate for the needed Science Faculty Professional Development Program.

Now, I want to comment briefly on the Foundation's rationale for these program cuts. They have put the money in. They used it to beef up the support in other places.

The Foundation proposes to increase the level of support at the junior high level. We think this is appropriate and needed. But we strenuously resist the implication that these funds could be reallocated from the support side of the budget without harm. Some of this money has been allocated to the CAUSE budget, increasing it to $14.9 million. Is CAUSE meeting real needs? Yes.

However, CAUSE does not serve as a useful answer to the needs of undergraduate science education. It simply supplements some of the same needs which ISEP and the URP and the local course programs do.

Mr. Chairman, I, like some others, have appeared before this subcommittee in previous years. As a taxpayer, I appreciate your hard-nosed approach to the review of budgets. I recognize, since our recommendations imply a total of $16 million, in additional funds for the Foundation's budget request, I ought to suggest how this amount might be created via reallocation from other parts of the Science Education budget.

That I cannot do in good conscience, simply because of the context for this, our contention that, irrationally, the Science Education Budget has been too drastically overcut.

I would suggest that the $16 million increase in applied science and research applications could be used for this purpose.

That's in another portion of the NSF budget.

Let me conclude by returning to my initial point that the Science Education Budget, as a whole, is seriously underfunded.

If you take the $16 million that we would urge is needed for these specific programs I have talked about and compare that to the $55.2 million increase proposed for basic research support in fiscal year 1979, that ratio is 29 percent.

That's not bad as a starting point. We would urge you do it.

Over a period of several years anyway, substantial increases must be pumped into Science Education support. The aim is to bring Science Education expenditures to some fixed level relative to basic research and then maintain that ratio.

In the final analysis, Science Research and Science Education to be closely coupled for the good health of both.

[The complete statement of Dr. Salter follows:]

Representative Boland and Members of the Subcommittee:

I appreciate the opportunity to give my views on the National Science Foundation's science education budget for fiscal 1979. I represent the twenty-five independent colleges and universities in the Great Lakes Colleges Association and the Associated Colleges of the Midwest,* and the more than 800 members of the National Association of Independent Colleges and Universities.

I should note there are some large issues bearing on Federal support of science education, such as the relative emphasis upon support of "big science" and "little science."

> We believe that Congress might well direct NSF to apportion a share of the Basic Research budget to "little science" projects.

The important question of whether science education support ought to be removed from NSF's mandate and placed in a Department of Education is another subject upon which we feel strongly.

> We oppose any reorganization in the Federal government which would transfer only the Science Education programs to a Department of Education. Any plan to move some Science Education programs to a new Education Department and leave others with NSF is even less logical and would, we believe, lead to the rapid diminution and eventual demise of all the education programs. Science education on all levels is part of the science continuum. Excellence in science education depends upon the involvement of scientists.

I will be glad to discuss these issues further if you wish. For now, however, I plan to confine myself strictly to questions of the appropriateness of some of the Administration's budget items for science education.

In taking an overview of that portion of the NSF budget devoted to science education, it is useful to classify these programs under two headings. These headings, indicative of the role of the various programs, are Support and Innovative: Support programs help maintain the continuing costs of science education from the elementary school level to that of the graduate student; Innovative programs represent a short-term response to newly-perceived needs (e.g., special programs for women and minorities) as well as developments of new science teaching models. Both kinds of programs are important, and both are severely underfunded in the budget before you.

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*The Associated Colleges of the Midwest member colleges are: Beloit College, Carleton College, Coe College, Colorado College, Cornell College, Grinnell College, Knox College, Lake Forest College, Lawrence University, Macalester College, Monmouth College, Ripon College, St. Olaf College.

The Great Lakes Colleges Association member colleges are: Albion College, Antioch University, Denison University, DePauw University, Earlham College, Hope College, Kalamazoo College, Kenyon College, Oberlin College, Ohio Wesleyan University, Wabash College, The College of Wooster.

A glance at the Appendices A and B will make clear the precipitous fall in real dollars of NSF support of science education over the past ten-year period. In real (1967) dollars, basic research support has increased 96% since 1968 while science education support has decreased 79% during the same period. A rough kind of parity which had existed between NSF expenditures in support of basic research and of science education has been systematically destroyed. The funds necessary and appropriate for basic research support have been diverted from science education support. Peter has been robbed to pay Paul. It is not that Paul has been overpaid, but that the underfunding of Peter has had consequences which must be addressed. I would make clear our support for continued high priority funding of basic science research, while bearing witness to the price paid for the termination and reduction of programs which supported science education.

Our institutions are predominantly concerned with undergraduate education. Good science education at this level is pivotal for the national interest. Science majors are prepared for careers in science and technology; these students figure in scientific manpower considerations now bearing on the late 1980's and early 1990's. Those students going on to careers in commerce, industry and public service receive their "general education" in science. Particularly important for the national interest is a raising in the quality of that education aimed at science for the layman. Future teachers in elementary and secondary schools receive their instruction in science at this level. Hence the proposition: Dollars spent in maintaining the quality of science education at the undergraduate level have more leverage than at any other level of science education. Note that I said "maintaining" and not "improving" -- the consequence of pessimism and despair engendered by NSF's sharp withdrawal from support of science education over the past ten years. We are running hard just to stay even.

Where are the pressure points? Equipment and expendible supply costs for one. Cost increases are typified by the following: Organic solvents (such as acetones, ether), the backbone of advanced chemical and biological laboratory courses, have increased in cost between 300% and 500% over the past four years. Fetal pigs, widely used in beginning biology courses to provide students with experience in dissection cost 50 cents four years ago; now each pig costs $2. One example from the physics instruction lab: While sodium vapor lamps have increased only by a factor of two in five years, replacement bulbs for these lamps have jumped in cost from $34 to $93, a factor of three. This example makes an important point: Even when a large item of capital equipment may not need replacement, a vital part such as a bulb needs periodic replacement and these items have undergone particularly sharp inflationary cost rises. Notice that during this same period, the Administration's budgets for those NSF science education programs which have helped colleges and universities meet these escalating costs have decreased or been phased out completely. Let me not be misunderstood, no presently existing NSF funds are available to support our disbursements for expendable supplies -- that is a burden our budgets must bear. But Federal funds for which we compete in a peer panel review process are most welcome giving us aid in coping with the costs of newly-available capital equipment.

A good case in point is ISEP (Instructional Scientific Equipment Program). It has provided support on a matching funds basis for scientific equipment linked directly to classroom and laboratory teaching. A sustained program of this general nature, inviting competitive proposals, ought to be an essential foundation stone in a rational program which supports science education. In fiscal 1964, ISEP was funded at $8.9 million; in several subsequent years it has been scheduled for elimination in the Administration's budgets only to be salvaged by Congressional action. In the budget before you, it is proposed for funding at the low level of $3.0 million. We urge that it be funded at the level of $9.0 million, to include funds for replacement of worn out equipment as well as the purchase of newly developed apparatus.

Last year, Congress earmarked a certain portion of funds to be made available for small research instrumentation grants to institutions which do not usually participate in NSF's research equipment programs. The instructions in NSF Important Notice Number 69 announcing the program did not make this intent clear and NSF staff advice to our scientists has been confusing. Results cannot yet be determined but the colleges we represent feel that opening up the competition for research equipment to a wider range of institutions was an important step in helping us meet our needs in this general complex of equipment needs. We hope that Congress will clearly define for NSF the intent of this program.

A second pressure point is that of faculty stimulation and development. The typical science faculty member at our institutions is in his or her mid-forties, probably fifteen years out of graduate school and post-doctoral experience. The opportunity to carry on research with advanced undergraduate students is a highly-prized form of faculty renewal and development, not to mention its significance as excellent teaching. Another important form of renewal and "updating" is the leave for study and research at a university or for research with industrial scientists at cooperating corporations. The first of these two forms of faculty development has been supported by the Foundation's highly successful Undergraduate Research Participation program (URP), and by a slightly different variant on the same theme, Student-Originated Studies (SOS). Both programs have stimulated fierce competition in proposals for the relatively modest program funds available. Both have been invaluable in another essential function: Helping to identify those really superior prospects for scientific research careers who come along in every generation. We are disturbed that NSF criticizes the URP program for its lack of support to women and minorities. This was never its purpose. The program has been, and we believe should be, "to accelerate and enrich the development of undergraduate students through direct experience in current research." The broad popular support of URP is based on this definition. The program should not be narrowed to emphasize certain populations appropriately served by other NSF education programs. The second form of faculty renewal mentioned above has been supported by the program entitled Science Faculty Professional Development.

How do these programs fare in the current NSF budget request? URP and SOS are, inexplicably and disastrously, cut to zero, proposed for total elimination. The faculty development program has been cut back $0.3 million from its fiscal 1978 level to an inadequate level of $2.1 million.

We urge the retention of URP (into which SOS can be usefully consolidated -- the programs serve virtually identical functions) by restoration to a funding level of $5.0 million. (This figure is not arbitrarily or capriciously proposed; it emerges from careful review of available data on the number of meritorious proposals submitted to URP and SOS during the past few years. See Appendix C.) The same level of funding, $5.0 million, we urge as appropriate for the needed Science Faculty Professional Development program.

In as much as the Foundation's rationale for these program cuts involved the strengthening of other programs, it is necessary that I comment briefly on those programs and the rationale. On the Innovative side of the program ledger, the Foundation proposed to beef up the support of science education at the junior high school level. This is both appropriate and needful. For instance, recent studies suggest that girls, many of whom have done well with arithmetic in the elementary grades, begin to acquire at junior high school a complex of attitudes best described as "math avoidance." If we aim at opening up possibilities for fulfilling careers in science and technology for women, junior high mathematics education is a prime target area for research and development. We support this initiative taken by the Science Education leadership within the Foundation while strenuously resisting the implication that these funds can be reallocated from the Support program side of the budget without harm. A portion ($1.4 million) of the money "created" by the elimination of URP and SOS has been used to improve the CAUSE program budget, increasing it from $13.5 million in the current year to $14.9 million. Is this a prudent expenditure of NSF funds and is CAUSE meeting real needs? Yes, in a word. CAUSE is a major constituent in the Support category of NSF funds. It calls upon the science departments of undergraduate institutions to undertake a major soul-searching and program revision, providing on a competitive basis matching funds which can help institutions maintain undergraduate science education quality in a broad-gauged, multi-departmental project. Innovative programs as well as an updating of standard curricular approaches are both supportable under CAUSE guidelines. However, it must be noted that the CAUSE program does not serve as an omnibus and universal answer to the needs of undergraduate science education. It does not, for example, meet the same needs which ISEP, URP and LOCI (Local Course Improvement) do -- programs which address themselves to needs of individual departments, attract smaller grant proposals, and provide flexibility in meeting the individual department needs.

I have appeared before this Subcommittee in previous years, and as a taxpayer I have come to appreciate its "hard-nosed" approach to the review of budgets coming under its purview. There is an obvious desire to trim budget proposals, rather than to augment them. Realizing that our recommendations imply a total of $16.0 million in additional funds for the Foundation's budget request, I feel an obligation to suggest how this amount might be created via reallocation from other parts of the Science Education budget. Unfortunately, I simply cannot in good conscience. I must return to my initial point, that the Science Education budget as a whole is seriously underfunded. Because there has been no systematic strategy for NSF support of quality science education at the level of the National Science Board, OMB pressures on the Foundation over a period of years have resulted in a dangerously low level of budget support for education

as compared to the basic research support. If the $16.0 million in additional funds needed for the ISEP, URP and Faculty Development programs is compared to the $55.2 million increase proposed for basic research support in fiscal 1979 over fiscal 1978, the ratio is 29%. That is not bad as a starting point: Over a period of several years at least, substantial increases must be pumped into science education support. The aim is to bring science education expenditures to some fixed level relative to basic research and then maintain that ratio. We have suggested that the science education support level should be roughly one-third that for basic research. For, in the final analysis, science research and science education must be closely coupled for the good health of both.

SUPPORT OF SCIENCE EDUCATION & BASIC RESEARCH[1]
NATIONAL SCIENCE FOUNDATION
FY 1967-1979 in FY '67 Dollars
(In Millions of Dollars)

Fiscal Year	Calendar Year CPI[2]	A. Fiscal Year CPI Average[3]	B. CPI FY '67 Base=100	C. NSF Budget Expenditure for Science Education	D. Amount Needed to Equal $141.7M Expended in FY 67 for Sci. Ed.	E. Purchasing Power of NSF Sci. Ed. Support in '67 Dollars	F. NSF Budget Expenditure for Basic Research	G. Amount Needed to Equal $172.6M Expended in FY '67 for Bas. Res.	H. Purchasing Power of NSF Basic Research Support in '67 Dollars
'67	97.2-100.0	98.6	1.00	141.7	141.7	141.7	172.6	172.6	172.6
'68	100.0-104.2	102.1	1.03	147.6	145.9	143.3	170.6	177.8	165.6
'69	104.2-109.8	107.0	1.08	117.4	153.0	108.7	176.0	186.4	162.9
'70	109.8-116.3	113.0	1.14	107.0	161.5	93.8	161.0	196.7	141.2
'71	116.3-121.3	118.8	1.20	88.2	170.0	73.5	180.3	207.1	150.3
'72	121.3-125.3	123.3	1.25	74.[illegible]	177.1	59.2	248.6	215.8	198.9
'73	125.3-133.1	129.2	1.31	39.9	145.7	30.4	268.0	226.1	204.6
'74	131.1-147.7	140.4	1.42	58.1	201.2	40.9	281.0	245.1	197.9
'75	147.7-161.2	154.45	1.57	54.7	222.5	34.8	338.1	271.0	215.4
'76	161.2-170.5	165.86	1.68	44.3	238.1	26.4	520.9	290.0	310.1
TQ[4]				2.4	59.5	1.4	128.1	72.5	76.3
				46.7	297.6	27.8	649.0	362.5	386.3
'77	170.5-181.5	176.0	1.79	58.0	253.6	32.4	539.2	309.0	301.2
'78	181.5-192.2	186.85[5]	1.90	59.1[7]	269.2	31.1	598.3[7]	328.0	314.9
'79	192.2-203.9	198.05[6]	2.01	61.4[8]	284.8	30.5	653.6[8]	346.9	325.2

1/ Science Education does not include Graduate Student Support or Traineeships, Technological Innovation in Education and Public Understanding of Science. Basic Research includes only Mathematical & Physical Sciences & Engineering; Astronomical, Atmospheric, Earth & Ocean Sciences, and Biological, Behavioral, and Social Sciences. (This is done to provide compatible figures.)
2/ CPI=Consumer Price Index (Bureau of Labor Statistics, U.S. Dept. of Labor)
3/ Calculated by averaging two adjacent calendar years.
4/ TQ=Transition Quarter, period from July 1 through September 30, 1977, created by changing Federal Fiscal Year to an October 1 through September 30 basis.
5/ Projection based on 5.9% inflation (Council of Economic Advisers, OMB)
6/ Projection based on 6.1% inflation (Council of Economic Advisers, OMB)
7/ Current plan.
8/ Fiscal 1979 requests.

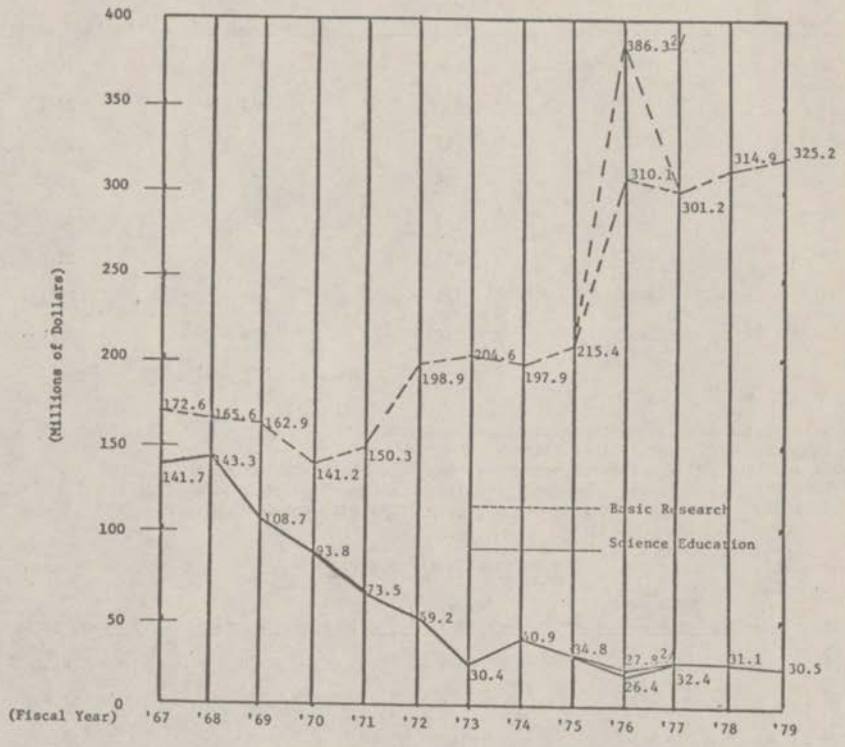
Sources: NSF Annual Reports for fiscal years 1967 through 1976
NSF Fiscal 1979 "Budget in Brief"
Consumer Price Index for Urban Wage Earners and Clerical Workers (1967=100), Bureau of Labor Statistics, U.S. Department of Labor
Economic projections of the Council of Economic Advisers, Office of Management and Budget

Independent Colleges Office
January, 1978

APPENDIX A

APPENDIX B

NATIONAL SCIENCE FOUNDATION
Support of Science Education and Basic Research[1], FY 1967-1979
in FY '67 Dollars



[1] Science Education does not include Graduate Student Support or Traineeships, Technological Innovation in Education and Public Understanding of Science. Basic Research includes only Mathematical & Physical Sciences & Engineering; Astronomical, Atmospheric, Earth & Ocean Sciences; and Biological, Behavioral and Social Sciences.

[2] Figure includes obligations for transition quarter (July 1 through September 30, 1977) created by changing the Federal Fiscal year to an October 1 through September basis.

Sources: NSF Annual Reports for fiscal years 1967-1976
NSF Fiscal 1979 "Budget in Brief"
Consumer Price Index for Urban Wage Earners and Clerical Workers (1967=100), Bureau of Labor Statistics, U.S. Department of Labor
Economic projections of the Council of Economic Advisers, Office of Management and Budget

Appendix C

National Science Foundation
UNDERGRADUATE RESEARCH PARTICIPATION and STUDENT-ORIGINATED STUDIES PROPOSALS:
SUBMITTALS, GRANTS, MERITORIOUS RATINGS AND SUCCESS RATIOS
Fiscal Years 1971-78

UNDERGRADUATE RESEARCH PARTICIPATION

Year	Number of Proposals Submitted	Judged Meritorious	Number Awarded	Success Ratio
1971	998	464	399	40.0
1972	1014	566	311	30.7
1973	1005	659	193	19.2
1974[1/]	347	95	173	49.9
1975	414	133	223	53.9
1976	627	315	201	32.0
1977[2/], [3/]	746	521	169	22.7
1978[4/], [5/]	565	342	138	24.4

Source: NSF Staff, URP Program

1/ Very strict subject-matter limitations applied.
2/ Subject-matter restrictions lifted.
3/ In addition, 12 minority projects were supported with non-URP monies.
4/ Deadline date advanced to August from long-standing September 10 deadline.
5/ In addition, 13 minority projects were supported with non-URP monies.

STUDENT-ORIGINATED STUDIES

Year	Number of Proposals Submitted	Judged Meritorious	Number Awarded	Success Ratio
1971	560	185	103	18.3
1972	282	0	134	47.5
1973	395	180	79	20.0
1974	266	0	135	50.7
1975	207	40	86	41.5
1976	444	180	69	15.6
1977	278	160	64	23.0
1978	172	68	65	37.8

Source: NSF Staff, SOS Program

Independent Colleges Office
April, 1978

Mr. BOLAND. I think you recognize the fact Science Education has been a continuing concern of this subcommittee over the years.

Dr. SALTER. We do, indeed.

Mr. BOLAND. We appreciate the position of the National Association of Independent Colleges and Universities.

It is comprised of some of the smaller colleges, of course. Most of them are small colleges, aren't they, from the point of view of enrollment?

Dr. SALTER. Yes, sir.

Mr. BOLAND. We appreciate the problems these colleges experience in the very areas that your statement addresses itself to.

Bob?

Mr. TRAXLER. No questions. Thank you very much.

Mr. BOLAND. Larry?

Mr. COUGHLIN. Thank you, Mr. Chairman. No questions.

I am very sympathetic to your people.

Dr. SALTER. Thank you.

Mr. BOLAND. Thank you, Dr. Salter. Good luck to you as the President of Wabash College.

Dr. SALTER. Thank you, Mr. Chairman.

COLLEGE HOUSING/NASA

WITNESSES

FATHER BYRON COLLINS, GEORGETOWN UNIVERSITY
FRANK MILLS, BOSTON COLLEGE
DR. STEPHEN CHESTON, GEORGETOWN UNIVERSITY

Mr. BOLAND. We will turn to Father Byron Collins from Georgetown University and Frank Mills from Boston College.

We are delighted to welcome you and Frank Mills, a long-time friend and very effective advocate not only for Boston College.

Also, we have Dr. Stephen Cheston.

Frank, I assume you are here relative to college housing, as Father Collins is. That is a rather continuing, constant problem, as you know.

In any event, we are delighted to have you. Why don't you proceed as you wish?

Father COLLINS. We would like to file for the record our statement.

We want to thank the Committee for the support that it has given to the college housing program. Because of the support of the Committee, what we stated last year has been proven true by our statistics, that there is a selected need for colleges across the country to meet the backlog of dormitory needs.

We are informed the authorizing committee which is considering college housing is going to keep it open.

We are here again before the Committee asking once again that the funds that are used from the returned moneys paid back by the colleges, that has been such a benefit, that the capital funds again be allowed to be used for selected priority needs.

If you will turn to the last two pages of the statement the documents show the number of applicants.

First, it is a selective need. Out of the 7,000 institutions that could have applied for it, 237 did.

Mr. BOLAND. You are not going to have half enough money. You won't have anywhere near the amount requested if all of these applications are approved under the repayment program.

Father COLLINS. We are only asking that the amounts paid back by the colleges be allowed—on the capital—be reused.

We know some will be unfunded, but a priority system which the agency has established, those of most critical needs will be funded.

So we are asking for the same request as last year.

I only wanted to point out that the States of Alabama, Arkansas, Florida, Louisiana, Massachusetts, Michigan, Missouri, Montana, Ohio, and Pennsylvania, are unfunded.

Mr. COUGHLIN. I can't imagine why you said that.

Father COLLINS. Showing there is a national need; and we ask that the Committee allow the use of the capital funds again to meet a national request on a priority system.

Frank Mills of Boston College has a statement as to one of the needs that Boston College was unable last year to meet. It would qualify this year.

Mr. MILLS. Good morning, Mr. Chairman. I am Frank Mills of Boston College. We are among at least 237 colleges and universities in the United States which have substantial and critical demands for student housing.

In 1977 the United States Department of Housing and Urban Development received from all of them seeking loan assistance for new construction to an aggregate of $458 million. Only $102 million of these applications were funded, thus leaving $356 million unfunded, including Boston College.

We at Boston College continue to face a severe and critical housing shortage. Over 85 percent of the applicants seeking admission as freshmen in the fall of 1978 are also asking for housing. We are forced to turn away many talented and promising young men and women because of our continuing housing deficiencies.

Boston College presently needs, at a minimum, a new dormitory to accommodate 800 students. Our waiting list exceeds that number.

Had the money that is now available been used in 1977 when Boston College was the eighth on the list of independent colleges whose applications were unfunded, we would be in construction now.

We strongly urge the continuance of the housing program and the support of the Committee.

Mr. BOLAND. Thank you very much, Frank.

I recognize the need at that particular institution. I welcome your comments on it.

As both of you, of course, know, the budget language does propose authorizing the transfer of the assets of the college into the liquidating fund. That was the same recommendation the last year and the year before. This Committee stopped that.

What is the Authorization Committee doing about it?

Father COLLINS. There was a bill introduced——

Mr. BOLAND. To resurrect a full-blown program?

Father COLLINS. No. They asked the Authorizing Committee to do it.

Mr. BOLAND. It is something like $111,255,000. I presume that the amount that is available would run about the same.

Father COLLINS. It is about the same.

Mr. BOLAND. This subcommittee recognizes, of course, rather well, the problems that some institutions have. I don't think there is any desire on the part of anyone to start a full-blown college housing program because the need really isn't there.

Father COLLINS. No. We don't ask that either.

Mr. BOLAND. I know you don't. I know there is a limited need in certain institutions.

Father COLLINS. It is across the nation, too.

Mr. MILLS. Coincidentally, it exists in the states which Father Collins mentioned earlier.

Father COLLINS. Dr. Cheston has a statement.

NASA—SPACE TRANSPORTATION SYSTEMS

Dr. CHESTON. A very brief one. I would like to take this opportunity to invite the Committee's attention to a small feature of NASA's budget that will have a profound effect on the technological health of this country during the latter two decades of this century.

Under the section entitled "Space Transportation Systems, subcategory Space Flight Operations," there is a line item for advanced programs.

This area of the NASA organization traditionally has been the point of gestation for ideas that have an important effect on the productivity of the nation.

As an example, I would like to point out that advanced programs generated the Skylab concept back in the late 1960s which produced a wealth of scientific data that today is being applied to our earth resources problem.

Currently, Advanced Programs is developing ways to utilize the Shuttle for new industrial processes and apply space to our energy problems.

If the past record is any indication, the results will be higher productivity and improvement in those parts of the U.S. economy that help balance our international payments.

Yet this critical area of NASA's budget which generally has been underfunded is now reaching new lower levels of support that are threatening to cripple the future of the utilization of space for man's needs. This is to save just a minuscular fraction of the national budget.

In fiscal year 1977, the Advanced Programs had a budget of $12 million; in fiscal year 1978, it was reduced to $10 million. For fiscal year 1979, NASA quite responsibly asked for restoration to $12 million, which was in itself a very conservative figure.

OMB responded by cutting Advanced Programs to $5 million, an act that will cause reverberations through the entire community of researchers who are looking to broaden the application of space to our earthly problems.

I would hope subject to full authorization on the floor of the House, this Committee would restore these funds.

My second point is that this is a new phenomena coming up in an academic community.

There is a gradual recognition within the academic community not previously concerned with NASA activities that space is playing an increasingly important role in the very texture of our society.

There is a concern that there can be studies on this impact. In this regard, I am advocating that the restored funds have $100,000 allocated to begin such studies.

Ideally, an institute could be established to monitor and examine this, inform the Congress and the American people about the implications of their investment in space.

Thank you very much.

[The complete statements of Father Collins, Mr. Mills and Dr. Cheston follow:]

Mr. Chairman and members of the Committee, we are T. Byron Collins, S.J. and William L. George, S.J. Special Assistants to the President of Georgetown University. We would like to present a brief statement to the Committee and for the record.

COLLEGE HOUSING

Georgetown University expresses its great gratitude to this Committee for its past and continued interest in the College Housing Program. This program has been unique in that it has assisted more colleges and universities in the country than any other construction program. Over two thousand colleges have benefitted from this program.

Because of the interest of the Committee the Direct Loan Program has been kept available for selected needs that are on a nationwide basis. Georgetown has been one of those institutions that has met the criteria of HUD in fulfilling a great portion of its need. Since the enrollments in the colleges and universities remain stable at about 11,000,000, there is no need for a massive dormitory construction program; however, the evidence from projects approved submitted from all over the nation, as shown on the attached exhibit, show there is still a selective national need for certain colleges and universities to meet critical housing shortages. Therefore, we recommend, along with other witnesses, that this program be kept open for at least this coming year.

Boston College, Chestnut Hill, Massachusetts 02167 Telephone (617) 969-0100

Office of the Vice President
Financial and Business Affairs

November 22, 1977

Mr. Richard N. Malow
Staff Assistant
Sub-Committee on Appropriations
United States House of Representatives
-- Room ____
The Capitol
Washington, D.C. 20

Dear Dick:

It was pleasant to meet with you in the company of Father Collins of Georgetown University on Tuesday, November 15.

As we discussed various significant factors in the HUD College Housing Program, we did not have the complete lists of colleges whose applications did not become funded in FY 1977 under applicable regulations. We are now certain of the following:

	$ Million
(1) Unfunded new construction applications for 195 projects totalled	$355.645
(2) Unfunded rehabilitation for conservation of energy applications for 33 projects totalled	29.823
Total Unfunded Applications	$385.468

These lists, by state and colleges, which were received from HUD are attached and are referenced below. The FY 1977 applications which were funded in combination with those which were not may be summarized as follows:

($000 omitted)

New Construction	Funded	Unfunded	Total
Projects begun but not permanently financed	$ 26,143	$ --	$ 26,143
Projects funded	76,256	--	76,256
Projects unfunded	--	355,645	355,645
Total New Construction	$102,399	$355,645	$458,044

(Schedule Continued)

Rehabilitation for Conservation of Energy	($000 omitted) Funded	Unfunded	Total
Funded	$ 53,401	--	$ 53,401
Unfunded	--	$ 29,823	29,823
Total Energy Projects	53,401	385,468	541,268
Totals, All Projects	$155,800	$385,468	$541,268

The $53,401 million of funds utilized for Rehabilitation for Conservation of Energy and the $29,823 million of such applications which are still unfunded do not add to dormitory capacity for any college or university and we feel that new regulations should recognize that the original purposes of the College Housing Program were to provide dormitory capacity and at low cost, the latter being most significantly affected by interest rates and the length of the loan term.

New construction applications, unfunded and funded clearly demonstrate an unfilled demand for additional dormitory bed capacity and the immediate need for construction to accommodate this demand.

The following illustrates that over 77% of the total current demand remains unfunded ($355,645 ÷ $458,044).

The demand from independent colleges remains almost 83% unfunded, and the demand from public (mostly State) colleges remains almost 74% unfunded.

	IN MILLIONS					
	-- TOTAL --		-- PRIVATE --		-- PUBLIC --	
	Amount	%	Amount	%	Amount	%
Unfunded Demand	$355,645	77.65%	$165,586	82.79%	$190,059	73.81%
Funded Demand	102,399	23.35	34,941	17.21	67,458	26.19
TOTAL	$458,044	100.00%	$200,527	100.00%	$257,517	100.00%

In terms of dormitory bed capacity, and using the $12,200 maximum per bed per the 1977 HUD regulations, the following is the present status:

	Total	Private	Public
Unfunded Demand	29,150	13,572	15,578
Funded Demand	8,395	2,864	5,529
TOTAL DORMITORY BEDS	37,545	16,436	21,109

FAMGRL
11/21/77

APPLICANTS FOR NEW CONSTRUCTION (UNFUNDED)
PRIVATE AND PUBLIC
IN PRIORITY ARRAY (PRIORITY A2)

DOLLARS IN THOUSANDS

PRIVATE				PUBLIC			
COLLEGE	STATE	INDEX (PRIORITY)	AMOUNT	COLLEGE	STATE	INDEX (PRIORITY)	AMOUNT
DE PAUL UNIVERISTY	ILL.	864.45	$ 609	DAVIS STUDENTS	CALIF.	$ 5,214.95	$2,512
PRINCETON UNIVERSITY	N.J.	703.88	2,194	DAVIS STUDENTS	CALIF.	5,214.95	440
BRANDEIS UNIVERSITY	MASS.	548.81	671	DAVIS STUDENTS	CALIF.	5,214.95	2,416
VILLANOVA UNIVERSITY	PA.	525.56	1,118	UNIVERSITY OF VERMONT	VT.	816.47	639
LOYOLA MARYMOUNT UNIVERSITY	CALIF.	504.58	1,973	ALABAMA A & M	ALA.	775.23	2,800
IONA COLLEGE	N.Y.	463.79	341	UNIVERSITY OF WASHINGTON	WASH.	727.88	2,844
IONA COLLEGE	N.Y.	463.70	960	NORTHERN MICHIGAN UNIVER.	MICH.	587.09	2,612
BOSTON COLLEGE	MASS.	453.23	7,500	SOUTH CAROLINA STATE	S.C.	583.96	2,345
DETROIT INSTITUTE OF TECH.	MICH.	412.86	1,780	UNIV. OF NORTH CAROLINA	N.C.	516.98	1,638
COLUMBUS COLLEGE OF ART & DES.	OHIO	409.93	1,569	TEXAS A & M UNIVERSITY	TEXAS	475.00	2,000
JOHNSON C. SMITH UNIVERSITY	N.C.	378.54	2,848	TROY STATE UNIVERSITY	ALA.	447.01	750
NORTHWESTERN UNIVERSITY	ILL.	361.71	7,353	UNIVERSITY OF ILLINOIS	ILL.	443.61	6,558
PAUL SMITH'S COLLEGE	N.Y.	359.78	2,953	RUTGERS	N.Y.	416.28	277
PAUL SMITH'S COLLEGE	N.Y.	359.78	766	UNIVERSITY OF CALIFORNIA	CALIF.	333.18	2,788
AMERICAN UNIVERSITY	D.C.	341.80	1,800	COLLEGE OF CHARLESTON	S.C.	324.24	2,679
MUNDELEIN COLLEGE	ILL.	327.68	797	IRVINE STUDENTS HOUSING	CALIF.	313.29	896
EMORY RIDDLE AERONAUTICAL	FLA.	320.74	3,950	UNIVERSITY OF MAINE	ME.	305.80	705
WORCESTER JUNIOR COLLEGE	MASS.	320.11	386	UNIVERSITY OF ARKANSAS	ARK.	300.94	1,056
NOVA UNIVERSITY	FLA.	309.34	2,209	BOWIE STATE	MD.	296.47	2,660
ELON COLLEGE	N.C.	296.67	1,374	UNIVERSITY OF MISSISSIPPI	MISS.	291.90	1,355
BETHUNE COOKMAN COLLEGE	FLA.	207.00	1,645	UNIVERSITY OF ALABAMA	ALA.	274.76	2,310
BETHUNE COOKMAN COLLEGE	FLA.	207.00	1,000	UNIVERSITY OF FLORIDA	FLA.	261.34	2,700
BETHEL COLLEGE	MINN.	200.05	4,360	MONTCLAIR STATE	N.Y.	253.83	3,971
UNIVERSITY OF JUDAISM	CALIF.	198.10	3,797	COLLEGE OF SISKIYOUS	CALIF.	249.40	1,356
DUKE UNIVERSITY	N.C.	190.45	2,971	HASTINGS COLLEGE OF LAW	CALIF.	214.80	3,755
DREXEL UNIVERSITY	PA.	181.88	1,724	COLORADO MOUNTAINS JR. COL.	COLO.	214.016	750
BELOIT COLLEGE	WIS.	178.70	426	APPALACHIAN STATE UNIV.	N.C.	213.57	3,000
COLUMBIA UNIVERSITY	N.Y.	178.10	7,500	SOUTHERN VOCATIONAL COLLEGE	ALA.	249.40	1,671
COLUMBIA UNIVERSITY	N.Y.	178.10	1,500	THREE RIVERS COMMUNITY	MO.	202.43	1,585
ST. AUGUSTINE'S COLLEGE	N.C.	173.29	1,819	UNIVERSITY OF MAINE	ME.	201.56	35
SALVE REGINA COLLEGE	R.I.	173.11	256	UNIVERSITY OF MAINE	ME.	201.56	36
HARVARD UNIVERSITY	MASS.	171.90	1,307	UNIVERSITY OF MAINE	ME.	201.46	80
M.I.T.	MASS.	142.31	812	FLORIDA KEYS COMMUNITY COL.	FLA.	188.75	2,865
AM. GRAD. SCHOOL OF INT'L MANAGEMENT	ARIZ.	140.84	845	MICHIGAN STATE HOUSING CORP.	MICH.	183.55	1,485
AZUZA PACIFIC COLLEGE	CALIF.	136.78	1,757	MICHIGAN STATE UNIVERSITY	MICH.	183.45	3,395
HOOD COLLEGE	MD.	130.10	502	CLAREMORE JR. COLLEGE	OKLA.	165.23	2,198
NEW HAMPSHIRE COLLEGE	N.H.	124.90	1,149	WILLIAM PATTERSON COLLEGE	N.J.	162.71	4,158
WILKES COLLEGE	PA.	124.80	2,291	UNIVERSITY OF CENTRAL ARK.	ARK.	159.55	400
CONCORDIA COLLEGE	MINN.	111.03	1,939	UNIVERSITY OF TEXAS	TEX.	147.00	1,274
SPELMAN COLLEGE	GA.	110.02	1,439	UNIVERSITY OF TEXAS	TEX.	147.00	6,770
MOREHOUSE COLLEGE	GA.	102.78	1,121	UNIVERSITY OF VIRGINIA	VA.	141.62	4,978
ST. JOSEPH'S COLLEGE	PA.	101.90	2,860	CHICAGO UNIVERSITY	ILL.	128.70	6,130

FFA/CRL
11/21/77

APPLICANTS FOR NEW CONSTRUCTION (UNFUNDED)
PRIVATE AND PUBLIC
IN PRIORITY ARRAY (PRIORITY A2ii)

DOLLARS IN THOUSANDS

PRIVATE

COLLEGE	STATE	INDEX (PRIORITY)	AMOUNT
CATHOLIC UNIVERSITY	D.C.	101.49	$2,953
NEWHAMPSHIRE	N.H.	96.40	182
CLEARY COLLEGE	MICH.	86.55	746
DELAWARE VALLEY COLLEGE	PA.	82.81	495
COLLEGE OF ST. THOMAS	MINN.	77.00	1,128
BARBER SCOTIA COLLEGE	N.C.	76.05	1,052
SUOMI UNIVERSITY	MICH.	66.33	989
GANNON COLLEGE	PA.	64.32	636
CALVIN COLLEGE	MICH.	63.41	900
JOHN CARROLL UNIVERSITY	OHIO	59.56	1,600
BATES COLLEGE	ME.	58.18	430
VIRGINIA COLLEGE	VA.	58.04	495
WESLEYAN COLLEGE	GA.	55.38	1,056
WILLIAM JENNINGS BRYAN UNIV.	TENN.	54.98	1,128
SOUTHWEST ADVENTIST COLLEGE	TEXAS	53.55	226
WORCESTER POLYTECHNIC INST.	MASS.	53.29	280
WIDENER COLLEGE	PA.	52.94	1,175
CARROLL COLLEGE	MONTANA	45.28	1,102
SUSQUEHANNA UNIVERSITY	PA	44.99	958
STEVENS INST. OF TECH.	N.J.	37.64	3,160
TRINITY COLLEGE	ILL.	37.00	288
MOUNT ST. MARY'S COLLEGE	MD.	35.46	3,666
MOUNT ST. MARY'S COLLEGE	MD.	35.46	514
ROGER WILLIAMS COLLEGE	R.I.	34.30	3,660
DAVIDSON COLLEGE	N.C.	32.21	2,031
CLINCH VALLEY COLLEGE	VA.	30.68	749
SCHOOL FOR INTERN'L TRAIN.	VT.	29.72	634
BETHANY COLLEGE	KANSAS	28.12	550
UNIVERSITY OF SAN DIEGO	CALIF.	26.40	2,928
ST. MICHAEL'S COLLEGE	VT.	20.30	1,979
ST. MICHAEL'S COLLEGE	VT.	20.30	1,476
TALLADEGA COLLEGE	ALA.	20.40	1,228
STEED COLLEGE	TENN.	19.88	419
CALIFORNIA LUTHERAN COLLEGE	CALIF.	19.66	1,000
TREVERCA NAZARENE COLLEGE	TENN.	19.44	2,016
COLUMBIA CHRISTIAN COLLEGE	OREGON	19.25	68
FRIENDSHIP JR. COLLEGE	S.C.	15.62	1,113
ABILENE CHRISTIAN UNIV.	TEX.	14.96	2,655
BARRINGTON COLLEGE	R.I.	14.80	1,497
LIVINGSTONE COLLEGE	N.C.	14.12	127
BRYANT COLLEGE	R.I.	14.01	2,000
PATTEN BIBLE COLLEGE	CALIF.	12.78	283
MANHATTAN COLLEGE	N.Y.	11.97	1,750
DORDT COLLEGE	IOWA	11.04	658

PUBLIC

COLLEGE	STATE	INDEX (PRIORITY)	AMOUNT
LAKE SUPERIOR STATE COLLEGE	MICH.	125.58	$3,500
NORTHERN ARIZONA UNIVERSITY	ARIZ.	115.87	3,930
UNIVERSITY OF MINNESOTA	MINN.	114.43	2,500
COLORADO SCHOOL OF MINES	COLO.	104.51	2,760
UNIVERSITY OF NEBRASKA MED.	NEB.	104.05	2,817
ELIZABETH CITY STATE UNIV.	N.C.	103.57	1,428
UNIVERSITY OF NORTH DAKOTA	N.D.	95.13	3,600
FROSTBERG STATE COLLEGE	MD.	91.95	2,091
ALABAMA STATE UNIVERSITY	ALA.	84.67	1,500
EAST STROUDSBURG STATE	PA.	84.36	2,741
LASSEN COMMUNITY COLLEGE	CALIF.	77.17	2,190
HINDS JUNIOR COLLEGE	MISS.	73.31	1,952
MAUI COMMUNICTY COLLEGE	HAWAII	71.91	1,279
NORTHEAST MISS. JR. COLLEGE	MISS.	70.13	2,148
UNIV. OF NEB. SCHOOL OF TECH.	NEB.	70.00	1,150
NO. CAROLINA A & T STATE	N.C.	67.91	3,750
MISSOURI ST. WESTERN COL.	MO.	65.55	1,488
FLORIDA A & M COLLEGE	FLA.	64.35	1,433
VIRGINIA MILITARY INSTITUTE	VA.	52.81	6,596
VINCENNES UNIVERSITY	IND.	52.33	1,842
SAINT MARY'S COLLEGE	MD.	52.24	2,875
RAMAPO COLLEGE	N.J.	48.64	3,516
UNIVERSITY OF IOWA	IOWA	47.63	2,620
RUTGERS STATE	N.J.	47.59	7,500
CENTRAL WYOMING COLLEGE	WYOM.	47.21	466
LOBERTA COMM. JR. COLLEGE	KANSAS	45.92	185
DAVISON COLLEGE	MONT.	36.57	653
DENMARK REGIONAL TECH.	S.C.	32.07	2,528
UNIVERSITY OF MAINE	ME.	27.31	640
UNIVERSITY OF MAINE	ME.	27.31	70
UNIVERSITY OF RICHMOND	VA.	26.21	987
UNIVERSITY OF MAINE	ME.	26.041	745
DODGE CITY COMM. JR. COL.	KANSAS	21.26	290
COFFEYVILLE COMM. JR. COL.	KANSAS	17.67	285
CASPER COLLEGE WYOMING	WYOM.	9.83	1,172
SALISBURY STATE	MD.	8.27	2,885
TAFT COLLEGE	CALIF.	7.09	601
UNIVERSITY OF MAINE	ME.	1.89	785
ANGELO STATE UNIVERSITY	TEX.	1.78	1,053
UNIV. OF CENTRAL ARKANSAS	ARK.	N/R	698
UNIVERSITY OF ARKANSAS	ARK.	N/R	2,380
NORTHERN KENTUCKY UNIV.	KENTUCKY	N/R	7,500
SOUTHWEST MISSOURI STATE	MO.	N/R	2,500
SOUTHWEST TEXAS STATE	TEX.	N/R	1,189

FFH/CRL
11/21/77

APPLICANTS FOR NEW CONSTRUCTION (UNFUNDED)
PRIVATE AND PUBLIC
IN PRIORITY ARRAY (PRIORITY AZ11)

DOLLARS IN THOUSANDS

PRIVATE				PUBLIC			
COLLEGE	STATE	INDEX (PRIORITY)	AMOUNT	COLLEGE	STATE	INDEX (PRIORITY	AMOUNT
HASTINGS COLLEGE	NEBRASKA	10.90	$ 800				
JOHN BROWN UNIVERSITY	ARKANSAS	10.12	279				
PACIFIC COLLEGE	CALIF.	8.26	1,090				
WESTMONT COLLEGE	CALIF.	7.83	1,154				
TAYLOR UNIVERSITY	IND.	7.75	553				
LOYOLA UNIVERSITY	ILL.	5.00	490				
MILLIGAN COLLEGE	TENN.	4.15	535				
LOYOLA COLLEGE	MD.	3.60	1,028				
NORBERT COLLEGE	WISCONSIN	2.96	161				
LAFAYETTE COLLEGE	PA.	1.67	765				
CULINARY INST. OF AMERICA	COLO.	N/R	6,636				
UNIVERSITY OF DENVER	COLO.	N/R	2,153				
STEPHENS COLLEGE	COLO.	N/R	408				
UNIVERSITY OF MIAMI	FLA.	N/R	154				
EDWARD WATERS COLLEGE	FLA.	N/R	3,639				
WASHINGTON COLLEGE	MD.	N/R	522				
FRIENDS OF TRUMAN CAMPUS	MD.	N/R	2,325				
CENTRAL WESLEYAN COLLEGE	S.C.	N/R	56				
SIOUX FALLS COLLEGE	S.D.	N/R	487				
ABILENE CHRISTIAN UNIV.	TEX.	N/R	1,458				
CABRINI COLLEGE	PA.	N/R	59				
KEYSTONE JR. COLLEGE	PA.	N/R	382				

11/21/77

ARRANGED IN ORDER OF DOLLAR MAGNITUDE OF APPLICATIONS
(Includes Funded and Unfunded)

State	Applicants	DEMAND Funded	DEMAND Unfunded	DEMAND Total	National Demand Index
California	20	$ 14,148	$ 30,936	$ 45,084	9.84%
Virginia	8	15,076	13,805	28,881	6.31
Alabama	10	16,500	10,059	26,559	5.80
New Jersey	7	--	24,816	24,816	5.42
Illinois	9	2,407	22,225	24,632	5.38
North Carolina	12	2,179	22,038	24,217	5.29
Massachusetts	9	11,225	11,256	22,481	4.91
Michigan	10	5,121	15,407	20,528	4.48
Florida	9	--	19,595	19,595	4.28
Maryland	10	2,440	16,743	19,183	4.19
Pennsylvania	14	3,391	15,204	18,595	4.06
Texas	10	1,794	16,626	18,420	4.02
New York	9	1,109	15,770	16,879	3.69
Colorado	6	2,600	12,707	15,307	3.34
District of Columbia	4	7,447	4,753	12,200	2.66
Minnesota	5	1,274	9,927	11,201	2.44
South Carolina	6	1,191	8,721	9,912	2.16
Mississippi	5	4,288	5,455	9,743	2.13
Rhode Island	6	784	7,413	8,197	1.79
North Dakota	5	4,554	3,600	8,154	1.78
Missouri	4	--	7,898	7,898	1.72
Kentucky	1	--	7,500	7,500	1.64
Tennessee	6	2,188	4,098	6,286	1.37
Arkansas	5	--	4,813	4,813	1.05
Arizona	2	--	4,775	4,775	1.04
Nebraska	3	--	4,767	4,767	1.04
Vermont	4	--	4,728	4,728	1.03
Georgia	3	--	3,616	3,616	.79
Maine	9	--	3,526	3,526	.77
Iowa	2	--	3,278	3,278	.72
Washington	1	--	2,844	2,844	.62
Ohio	2	--	3,169	3,169	.69
Indiana	2	--	2,395	2,395	.52
Oklahoma	1	--	2,198	2,198	.48
Montana	2	--	1,755	1,755	.38
Wyoming	2	--	1,638	1,638	.36
Lousiana	1	1,417	--	1,417	.31
Oregon	2	1,266	68	1,334	.29
New Hampshire	2	--	1,331	1,331	.29
Kansas	4	--	1,310	1,310	.29
Hawaii	1	--	1,279	1,279	.28
Wisconsin	3	--	1,116	1,116	.24
South Dakota	1	--	487	487	.11

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*FFM/kg 11/22/77

APPLICATIONS - FUNDED AND UNFUNDED - BY STATE
FILED IN FY'77

STATE	TOTALS APPLICANTS	TOTALS FUNDED	TOTALS UNFUNDED	TOTALS TOTAL DEMAND	TOTALS NATIONAL %	PRIVATE APPLICANTS	PRIVATE FUNDED	PRIVATE UNFUNDED	PRIVATE TOTAL DEMAND	PUBLIC APPLICANTS	PUBLIC FUNDED	PUBLIC UNFUNDED	PUBLIC TOTAL DEMAND
ALABAMA	10	$ 16,500	$ 10,059	$ 26,559	5.80%	1	--	$ 1,228	$ 1,228	9	$16,500	$ 8,831	$ 25,331
ALASKA	--	--	--	--	--	--	--	--	--	--	--	--	--
ARIZONA	2	--	4,775	4,775	1.04	1	--	845	845	1	--	3,930	3,930
ARKANSAS	5	--	4,813	4,813	1.05	1	--	279	279	4	--	4,534	4,534
CALIFORNIA	20	14,148	30,936	45,084	9.84	8	$ 11	13,982	13,982	12	14,148	16,954	31,102
COLORADO	6	2,600	12,707	15,307	5.54	3	--	9,197	9,197	3	2,600	3,510	6,110
CONNECTICUT	--	--	--	--	--	--	--	--	--	--	--	--	--
DELAWARE	--	--	--	--	--	--	--	--	--	--	--	--	--
FLORIDA	9	--	19,595	19,595	4.28	6	--	12,597	12,597	3	--	6,998	6,998
GEORGIA	3	--	3,616	3,616	0.79	3	--	3,616	3,616	--	--	--	--
HAWAII	1	--	1,279	1,279	0.28	--	--	--	--	1	--	1,279	1,279
IDAHO	--	--	--	--	--	--	--	--	--	--	--	--	--
ILLINOIS	9	2,407	22,225	24,632	5.38	6	342	9,537	9,879	3	2,065	12,688	14,753
INDIANA	2	--	2,395	2,395	0.52	1	--	553	553	1	--	1,842	1,842
IOWA	2	--	3,278	3,278	0.72	1	--	658	658	1	--	2,620	2,620
KANSAS	4	--	1,310	1,310	0.29	1	--	550	550	3	--	760	760
KENTUCKY	1	--	7,500	7,500	1.64	--	--	--	--	1	--	7,500	7,500
LOUISIANA	1	1,417	--	1,417	0.31	1	1,417	--	1,417	--	--	--	--
MAINE	9	--	3,526	3,526	0.77	1	--	430	430	8	--	3,096	3,096
MARYLAND	10	2,440	16,743	19,183	4.19	5	--	6,232	6,232	5	2,440	10,511	12,951
MASSACHUSETTS	9	11,225	11,256	22,481	4.91	9	11,225	11,256	22,481	--	--	--	--
MICHIGAN	10	5,121	15,407	20,528	4.48	5	3,812	4,415	8,227	5	1,309	10,992	12,301
MINNESOTA	5	1,274	9,927	11,201	2.44	4	1,274	7,427	8,701	1	--	2,500	2,500
MISSISSIPPI	5	4,288	5,455	9,743	2.13	--	--	--	--	5	4,288	5,455	9,743
MISSOURI	4	--	7,898	7,898	1.72	1	--	2,325	2,325	3	--	5,573	5,573
MONTANA	2	--	1,755	1,755	0.38	1	--	1,102	1,102	1	--	653	653
NEBRASKA	3	--	4,767	4,767	1.04	1	--	800	800	2	--	3,967	3,967
NEVADA	--	--	--	--	--	--	--	--	--	--	--	--	--
NEW HAMPSHIRE	2	--	1,331	1,331	0.29	2	--	1,331	1,331	--	--	--	--
NEW JERSEY	7	--	24,816	24,816	5.42	2	--	5,354	5,354	5	--	19,462	19,462
NEW MEXICO	--	--	--	--	--	--	--	--	--	--	--	--	--
NEW YORK	9	1,109	15,770	16,879	3.69	9	1,109	15,770	16,879	--	--	--	--
NORTH CAROLINA	12	2,179	22,038	24,217	5.29	7	--	12,222	12,222	5	2,179	9,816	11,995
NORTH DAKOTA	5	4,554	3,600	8,154	1.78	1	758	--	758	4	3,796	3,600	7,396
OHIO	2	--	3,169	3,169	0.69	2	--	3,169	3,169	--	--	--	--
OKLAHOMA	1	--	2,198	2,198	0.48	--	--	--	--	1	--	2,198	2,198
OREGON	2	1,266	68	1,334	0.29	2	1,266	68	1,334	--	--	--	--
PENNSYLVANIA	14	3,391	15,204	18,595	4.06	12	1,635	12,463	14,098	2	1,756	2,741	4,497
RHODE ISLAND	6	784	7,413	8,197	1.79	5	674	7,413	8,087	1	110	--	110
SOUTH CAROLINA	6	1,191	8,721	9,912	2.16	2	--	1,169	1,169	4	1,191	7,552	8,743
FORWARD	198	75,894	305,550	381,444	83.28	104	23,512	145,988	169,500	94	52,382	159,562	211,944

CONTINUED

APPLICATIONS - FUNDED AND UNFUNDED - BY STATE
FILED IN FY'77

	TOTALS					PRIVATE				PUBLIC			
	APPLI-CANTS	FUNDED	UNFUNDED	TOTAL DEMAND	NATIONAL %	APPLI-CANTS	FUNDED	UNFUNDED	TOTAL DEMAND	APPLI-CANTS	FUNDED	UNFUNDED	TOTAL DEMAND
FORWARD	198	$ 75,894	$305,550	$381,444	83.28%	104	$ 23,512	$145,988	$169,500	94	$ 52,382	$159,562	$211,944
SOUTH DAKOTA	1	--	487	487	0.11	1	--	487	487	--	--	--	--
TENNESSEE	6	2,188	4,098	6,286	1.37	6	2,188	4,098	6,286	--	--	--	--
TEXAS	10	1,794	16,626	18,420	4.02	5	1,794	4,340	6,134	5	--	12,286	12,286
UTAH	--	--	--	--	--	--	--	--	--	--	--	--	--
VERMONT	4	--	4,728	4,728	1.03	3	--	4,089	4,089	1	--	639	639
VIRGINIA	8	15,076	13,805	28,881	6.31	2	--	1,744	1,744	6	15,076	12,561	27,637
WASHINGTON	1	--	2,844	2,844	0.62	--	--	--	--	1	--	2,844	2,844
WEST VIRGINIA	--	--	--	--	--	--	--	--	--	--	--	--	--
WISCONSIN	3	--	1,116	1,116	0.24	2	--	587	587	1	--	529	529
WYOMING	2	--	1,638	1,638	0.36	--	--	--	--	2	--	1,638	1,638
DISTRICT OF COLUMBIA	4	7,447	4,753	12,200	2.66	4	7,447	4,753	12,200	--	--	--	--
TOTALS	237	$102,399	$355,645	$458,044	100.00%	127	$34,941	$165,586	$200,527	110	$ 67,458	$190,059	$257,517

Mr. Chairman and Members of the Committee. I am Frank Mills of Boston College. Boston College is among at least 237 colleges and universities in the United States which have substantial and critical demands for student housing.

In 1977 the United States Department of Housing and Urban Development received from all of then seeking loan assistance for new construction to an aggregate of $458 million. Only $102 million of these applications were funded, thus leaving $356 million unfunded, including Boston College.

We at Boston College continue to face a severe and critical housing shortage. Over 85% of the applicants seeking admission as freshmen in the fall of 1978 are also asking for housing. We are forced to turn away many talented and promising young men and women because of our continuing housing deficiencies.

Boston College presently needs, at a minimum, a new dormitory to accommodate 800 students. Our waiting list exceeds that number.

Had the money that is now available been used in 1977, when Boston College was the eighth on the list of independent colleges whose applications were unfunded, we would be in construction now.

We strongly urge the continuance of the Housing Program and the support of the Committee.

TESTIMONY OF DR. T. STEPHEN CHESTON, ASSOCIATE DEAN, GRADUATE SCHOOL, GEORGETOWN UNIVERSITY

Mr. Chairman and Members of the Committee: I would like to take this opportunity to invite the Committee's attention to a small feature of NASA's budget that will have a profound effect on the technological health of this country during the latter two decades of this century. Under the section entitled "Space Transportation System," subcategory "Space Flight Operations," there is a line item for Advanced Programs. This area of the NASA organization traditionally has been the point of gestation for ideas that have an important effect on the productivity of the nation. As an example, I would like to point out that Advanced Programs generated the Skylab concept back in the late 1960's which produced a wealth of scientific data that today is being applied to our earth resources problem. Currently, Advanced Programs is developing ways to utilize the Shuttle for new industrial processes and apply space to our energy problems. If the past record is any indication, the results will be higher productivity and improvement in those parts of the U.S. economy that help balance our international payments.

Yet, this critical area of NASA's budget which generally has been underfunded, is now reaching new lower levels of support that are threatening to cripple the future of the utilization of space for man's needs. This is to save just a miniscular fraction of the national budget. In fiscal year 1977, the Advanced Programs had a budget of $12 million; in fiscal year 1978, it was reduced to $10 million. For fiscal year 1979, NASA quite responsibly asked for restoration to $12 million, which was in itself a very conservative figure. OMB responded by cutting Advanced Programs to $5 million, an act that will cause reverberations through the entire community of researchers who are looking to broaden the application of space to our earthly problems.

There is a gradual recognition within the academic community not previously concerned with NASA activities that space is playing an increasingly important role in the very texture of our society. Its economic ramifications are becoming pervasive, its influence on foreign affairs grows daily and its impact on our very self perception cannot be ignored. These and a myriad of other effects are emerging to be what can best be expressed as matters of "hopeful concern" for acedemics. Hopeful in that space may be one of the few areas for major industrial growth that is not fundamentally disruptive to our environment, and concern that if the institutional and social considerations of space activities are not carefully assessed on a continuing basis that there may be unforeseen negative effects, or at least that their social benefits may not be optimized. In this regard, I am advocating that, subject to authorization, the Appropriations Committee approve increasing Advanced Programs to $12 million and that with this increased funding Advanced Programs support an institute to research the impact of space on society possibly under the auspices of the Universities Space Research Association, a consortium of 51 major universities. A modest funding of $100,000 a year for five years would provide the minimum level of support necessary to allow an institute to get its programs under way and develop alternate sources of income that would eventually relieve NASA of its support function.

Such an institute located in Washington would have the advantage of providing the policy-making community related to space with on-going access to the fruits of impact research and their policy implications in an organized way. In a sense, this would provide space policy with broader input from the American public and, thereby, make it more responsive to the will of the people.

I appreciate the Committee allowing me this time to share the above thoughts. Thank you.

Mr. BOLAND. As you indicated, that particular program would need authorization by the Legislative Committee to get into that type of research. You have indicated that in your statement.

Larry?

Mr. COUGHLIN. As a matter of interest, in the listing you provide of applicants for new construction among the colleges, how do you arrive at the priority ranking?

Father COLLINS. It is arrived at by two basic criteria: one, the size of the number of your student body, your total student body; then the number of unmet places that you have.

Mr. MILLS. May I expand on that, Father?

Father COLLINS. Yes.

Requirements for beds. The larger your student body, the greater your demand. It is unfair to the small colleges. That is the basis of your question.

Mr. COUGHLIN. I know both Princeton and Harvard are on here. I think they probably could finance their own.

Father COLLINS. Well, Princeton and Harvard, of course, they have the answer. You would have to look at their priority rate. As I remember it, their priority rate wasn't very high.

Mr. COUGHLIN. Princeton is Number 2.

Father COLLINS. Number 2, under the private?

Mr. MILLS. Unfunded priorities.

Father COLLINS. That means they have a large student body and a large number of their students are registered for housing and they don't have it.

They also have to have—they do have another way of funding.

Mr. COUGHLIN. I am not aware of many students living off campus at Princeton.

Father COLLINS. That's the criterion with us.

Mr. COUGHLIN. Thank you very much.

Mr. BOLAND. Thank you, Father Collins, Frank. Nice to see you. Thank you, Doctor.

Father COLLINS. Thank you.

VETERANS ADMINISTRATION

WITNESSES

ROBERT E. LYNGH, DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION

EDWARD J. LORD, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE COMMISSION

Mr. COUGHLIN. The Chairman, Mr. Boland, will be here shortly.

We will now hear Mr. Lyngh, the Director of the National Veterans Affairs and Rehabilitation.

Mr. LYNGH. Thank you, sir.

Mr. COUGHLIN. We appreciate having your testimony. We have prepared testimony that you have submitted. It would be helpful to the committee if you would summarize that. The full testimony will be included in the record.

Mr. LYNGH. Thank you, Mr. Chairman. We have every intention of summarizing our statement. I would like to say for the record it is our earnest hope that the subcommittee will give serious consideration to the arguments that have been advanced by the American Legion in its prepared statement with reference to changes in the Administration's proposed budget for fiscal 1979 because they concern the serious matters with which the American Legion is concerned.

Assuming the subcommittee will do that, we would only like to summarize here certain matters of more emphatic concern to us that we would like to more forcefully bring to the attention of the subcommittee.

I would open by saying that upon review the American Legion finds the budget presented to Congress by the President to be seriously deficient in several areas if ongoing programs of benefits and services for the nation's 29.5 million veterans, their dependents, and survivors are to be maintained at levels that will fulfill the commitments made to the beneficiaries when these programs were established by the Congress.

It is the earnest hope of the American Legion, Congress will rectify the deficiencies and provide the full amount of funding necessary to carry on the full scope of programs and services.

The American Legion is not asking for any new programs for veterans. We only ask that programs that are ongoing and have been planned shall be executed in a manner the Congress has intended.

We have directed ourselves primarily to the area of hospital and medical care for veterans. We are seriously concerned about the fact that the Administration proposes to close down 3,132 beds in the system.

In our statement, gentlemen, we have addressed ourselves to all of the arguments that the Administration has advanced in support of this proposed reduction of the system. We find none of them unanswerable. We find all of them to be faulty and we commend the rationale that we presented in our statement to your serious attention.

In conclusion, in addressing ourselves to the proposed reduction of 3,132 beds, we would like to say this:

It is necessary for us, the American Legion, to now say that we see in this planned reduction in the size of the V.A. hospital system a calculated abridgment by the Administration of its commitment to provide medical care for the nation's war veterans. That statement will, of course, be denied. The denial does not convince us.

In a letter addressed to the American Legion on March 6, 1978, the chief medical director, in discussing the planned reduction of beds said, "This will not reduce our ability to meet the needs of the eligible veteran."

Yet on April 2nd, 1978, in a presentation to the V.A. special medical advisory group, the associate deputy chief medical director for operations said, "The reduction of capability, beds or employees, reduces the capacity to treat the nonservice connected veteran."

We take this as a direct indication of intention to reduce benefits to the nonservice connected, and we here voice our protest against such intention.

The commitment to provide first class comprehensive medical care has been spelled out by the Congress in the legislation of many years. There has been no demonstration in the deliberations of congressional committees nor in any legislation indicating congressional intent to limit or to abrogate that commitment.

What we are confronted with here is an action of the executive branch. The American Legion entertains a deep concern if the size of the system continues to be reduced, the result will be a system that in the main provides custodial care capabilities, will ultimately cause a discontinuation of affiliations with medical schools, and that eventually will cause a deterioration in the quality of care that the V.A. system is able to provide.

A simple word about the appropriations provided for medical and prosthetic research which were proposed at $112.66 million, an increase of less than one percent over budget authority for fiscal year 1978.

Our response to that would be to quote Dr. Rosalyn Yalow, the Nobel laureate, in testimony before a Senate subcommittee on March 6, "If the V.A. is to function as a first class model system for health care delivery, research cannot be neglected."

Later, in the same statement, she said this, "If this trend is not reversed, the day will come again when the V.A. hospital system might continue to exist, but it would have returned to the days of custodial care for an aging veteran population rather than being a system for delivering medical care second to none."

Nothing we can say here can add weight to those words of Dr. Yalow. It is our request that the subcommittee accede to the request of the committee on Veterans Affairs to add at least $18 million to the Administration's request for medical and prosthetic research.

With reference to the Camden Hospital which has been cancelled by the Administration, we only say this: We are interested by a statement made by the administrator of Veterans Affairs during a meeting with the New Jersey congressional delegation on February 22, 1978.

In his discussion, the administrator said, "After evaluation of all factors in this matter, the final decision to cancel construction plans for the Camden Hosptial was a close call."

On that statement, we rest our argument. If your decision on the need for the Camden Hospital is close, then we would like to know why the decision was not made in favor of needed medical care for veterans of South Jersey rather than against.

Again, we raise the spectre of an abridgement by the Administration of the commitment to medical care for veterans.

A word about the proposed construction funds for the hospital in Portland, Oregon, which has been a matter of controversy with reference to the site selection.

The National Organization of American Legion would only say that at this point, it is our conclusion that Marquam Hill is the site of preference.

We also believe the subject has been exhausted. There is nothing more that can be said about it usefully. It is the recommendation of the American Legion that the funds requested by the VA now be provided and that construction go forward on the replacement hospital to be located on the Marquam Hill site.

With reference to disability compensation and dependency and indemnity compensation we believe that the House Committee on Veterans Affairs will recommend an increase of 6.5 percent. We hope for an agreement to that by the Committee on Appropriations, bearing in mind that the first priority in all veterans programs is care for the service disabled and the survivors of the service deceased.

With reference to the disability pension program we only say it is obvious at this point that that program is in disarray and badly in need of a thorough restructuring.

We are confident that reform legislation will be submitted to the House by the Committee on Veterans Affairs.

It will require a substantial addition to the Administration's proposed budget for this program. We believe that all members of Congress are at this time in receipt of letters from their constituents complaining about the inadequacy of the veterans pension program, and we hope that in response to these pleas from needy constituents, that Congress will improve the pension and disability pension program as the House Committee will request.

In conclusion, I would only like to say this, Mr. Chairman and members of the subcommittee, in its presentation to the Committee on the Budget, the Committee on Veterans Affairs projected the costs with necessary adjustments, some of which we have discussed in this statement, at something more than $2.3 billion more than has been requested by the Administration.

It is our conclusion that the amounts put forward by the Committee on Veterans Affairs are the minimum that will be needed if the Congress is to continue to fulfill the nation's commitment to the men and women who served in the armed forces during the four American wars of the 20th Century.

We know full well the multiplicity of demands made today on availability of federal funds. We submit to this subcommittee the thought that the nation's concern for its war veterans is a priority second to none among all the interests of the government.

A nation that does not care for its war veterans and for their widows and orphans is in danger of losing its soil.

Despite all that has happened in our country during the past 15 years, it is certainly not at that point. We request that veterans programs be fully funded for Fiscal 1979.

We thank you, sir.

[The complete statement follows:]

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006
(202) 393-4811

by

EDWARD J. LORD, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE COMMISSION

and

ROBERT E. LYNGH, DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION

BEFORE THE

SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
COMMITTEE ON APPROPRIATIONS
U. S. HOUSE OF REPRESENTATIVES

April 12, 1978

Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates the opportunity to comment on the proposed Veterans Administration budget for fiscal year 1979.

Our witness this afternoon is Mr. Robert E. Lyngh, Director of the National Veterans Affairs and Rehabilitation Commission for The American Legion.

STATEMENT OF R. E. LYNGH, DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE SUBCOMMITTEE ON HUD - INDEPENDENT AGENCIES
OF THE COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
APRIL 12, 1978

Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates the opportunity to present its views with respect to the proposed Veterans Administration Budget for Fiscal Year 1979.

Upon review, The American Legion finds the Budget presented to the Congress by the President to be seriously deficient in several areas, if ongoing programs of benefits and services for the nation's 29.5 million veterans, their dependents and survivors are to be maintained at levels that will fulfill the commitments made to the beneficiaries when these programs were established by the Congress.

It is the earnest hope of The American Legion that Congress will rectify the deficiencies, and provide the full amount of funding necessary to carry on the full scope of programs and services.

The American Legion is not asking for any new programs for veterans. We ask only that programs that are ongoing and that have been planned shall be executed in the manner that Congress has intended.

The Subcommittee has the advantage of testimony presented by the Administration, and of information and recommendations from the Committee on Veterans Affairs. The American Legion approves and supports the Budget adjustments recommended by the Committee on Veterans Affairs. We will not attempt to recite in this statement the information and supporting data relative to all programs and services for veterans that has already been made available to the Subcommittee. We know all of that information will be given careful consideration, and for that we are grateful to the Members of the Subcommittee.

What we shall do in this statement is to draw to the attention of the Subcommittee specific aspects of the proposed Budget that are of especial concern to The American Legion. To these observations we hope for attention by the Members, bearing in mind that we speak on behalf of the millions of men and women who have fought four wars for the nation during the Twentieth Century, and of the survivors of those who made the supreme sacrifice.

HOSPITAL AND MEDICAL CARE FOR VETERANS

The Administration, during Fiscal Year 1979, proposes to reduce the number of hospital beds operated by the VA Department of Medicine and Surgery, by 3,132. This action, if carried out, will reduce the cost of this program by $32 million, and eliminate 1,500 employees. It will also mean that the system has been reduced by more than 15,000 beds during the past ten years.

The Administration proposes, by the end of FY 1979, to operate 88,300 beds of all categories. We are reliably informed that another 2,500 beds will be scheduled for reduction in FY 1980, reducing the system further, to 85,800 beds.

Of the 3,132 beds scheduled for elimination, 600 of these are to be lost due to privacy and safety standards required by the Joint Commission on the Accreditation of Hospitals. The American Legion understands and accepts this necessity. We do not accept the elimination of the additional 2,532 beds.

We are familiar with all of the arguments that are advanced to justify these reductions. Principally, these arguments revolve around improvements in medical techniques and modalities of treatment, that will permit the treatment of more patients in less beds, and through the ambulatory care program. It is pointed out, for example, that with 3,132 less beds, VA will treat 15,543 more inpatients, an increase over FY 1978 of 1.3%. It is also argued that with shorter hospital stays, made possible by improved modalities, more patients are treated in less beds.

These arguments are totally unacceptable to The American Legion, given the inevitable expansion of the system's clientele. Of the 29.5 million veterans the nation now has, the largest number is the 13.5 million of the WW II generation. The average age of this generation of veterans is now 58. This means that these veterans are becoming increasingly susceptible to the catastrophic illnesses that are associated with advancing age (such as cancer, heart disease and stroke.) And these are the illnesses that will require increasing numbers of these veterans to turn to the VA for medical care that they will not be able to afford through their own resources. In one way or another, it must be anticipated that a substantial percentage of these veterans will become the beneficiaries of the public purse for long-range treatment they will need and cannot afford. It is our view that this treatment should be available to them through the VA, in fulfillment of a commitment long ago made to them by a grateful nation.

We have been advised from which categories the reductions will be made - 45% medical, 24% surgical, 31% psychiatric. We assume these percentages affect acute care type treatment. We have no information as to

further intention by VA to eliminate more acute care beds in favor of more beds for longer term treatment. We do know there is an ever increasing need for more beds in intermediate, extended and nursing care categories. VA acknowledges this need. It is our opinion that if, indeed, there is less call for acute care beds, the very least that should happen is that beds not needed for acute care should be changed to one of those categories providing for longer term care, even if this requires reconfiguration of some hospitals. But we must say that it is simply impossible for us to accept the proposition that less beds are going to be needed by an aging generation of veterans numbering 13.5 million.

And an equally important factor for consideration is that following along behind this WW II generation is the Vietnam generation, 8 million strong and, currently at an average of 30. If the VA medical care program is to be drastically reduced now, and during ensuing years, there is, of course, no possible hope that it will be available to Vietnam Era veterans when, in due course, their need for it will expand.

Some of the figures presented in the VA Budget are deceptive. For instance, Budget Authority is requested for the funding of an additional 15 Substance Abuse Treatment and Rehabilitation Programs. This category of specialized treatment includes the VA alcohol treatment program. The American Legion is very much interested in this program, which addresses one of the major veterans health problems. However, the fifteen additional units scheduled for funding are not in fact additional units. For the most part these are units already functioning throughout the system, but which have not been hitherto specifically funded. So this is not a true expansion of this much needed program.

It is necessary for us to now say that we see in this planned reduction in the size of the VA hospital system, a calculated abridgment by the Administration of its commitment to provide medical care for the nation's war veterans. That statement will be denied. The denial does not convince us. In a letter addressed to The American Legion on March 6, 1978 the Chief Medical Director, in discussing the planned reduction of beds said: "This will not reduce our ability to meet the needs of the eligible veteran." Yet, on April 2, 1978, in a presentation to the VA Special Medical Advisory Group, the Associate Deputy Chief Medical Director for Operations said: "-------, the reduction of capabilities - beds or employees - reduces the capacity to treat the nonservice-connected veteran." We take this as a direct indication of intention to reduce benefits to the nonservice-connected. And we here voice our protest against such intention.

The commitment to provide first class, comprehensive medical care has been spelled out by the Congress in the legislation of many years. There

has been no demonstration, in the deliberations of Congressional Committees, nor in any legislation, indicating Congressional intent to limit, or to abrogate that commitment. What we are confronted with here is an action of the Executive Branch.

And let us tell you what concerns us even more than the moral commitment involved. It is an accepted fact that the primary mission of the VA medical care program is the provision of care for the service-disabled. A concomitant fact is that it is not possible to maintain a fully integrated system, providing first class, comprehensive medical care, treating only the service-disabled. From this fact, as well as from concern for all of those who have served during time of war, came the Congressional commitment that has resulted in the development within the VA of the finest medical care system to be found in the world today. And, the present quality and comprehensive nature of that system is not going to persist if the present and future reductions that are planned are carried out.

The American Legion entertains a deep concern that if the size of the system continues to be reduced, the result will be a system that in the main provides custodial care. Continuing reductions in acute care capabilities will ultimately cause a discontinuation of affiliations with medical schools. And that eventuality will cause a deterioration in the quality of care the VA system is able to provide.

MEDICAL AND PROSTHETIC RESEARCH

For Medical and Prosthetic Research, the Administration has requested for FY 1979, $112.667 million, an increase of less than 1% over Budget Authority for FY 1978.

If adhered to, this new Authority will result in the elimination of medical research programs in 60 hospitals, and reduced research programs in 63 more.

At this time, the whole world knows that the VA medical research program is a jewel in the crown of the Federal Government's efforts in the field of health care delivery. What other program has had two of its researchers share the Nobel Prize in Medicine? We, of course, refer to Drs. Yalow and Schally, who shared that award in 1977.

On March 6, 1978, in an appearance before the Senate Committee on Veterans Affairs, one of VA's Nobel Laureates, Dr. Rosalyn Yalow, of the VA Hospital in Brooklyn, said: "If the VA is to function as a first class model system for health care delivery, research cannot be neglected." And later in the same statement, Dr. Yalow said: "If this trend is not reversed, the day will come again when the VA hospital system might continue to exist, but it

would have returned to the days of custodial care for an aging veteran population rather than being a system for delivering medical care second to none." Nothing we can say here can add weight to those words of Dr. Yalow.

The Committee on Veterans Affairs has recommended an increase of $18 million in the Administration's request. The American Legion strongly associates itself with that request.

CAMDEN VA HOSPITAL

In its Budget proposal the Administration did not include any funds for continued design planning for a new VA hospital to be located at Camden, New Jersey.

In earlier years, plans, with ample justification, were submitted for a new hospital at Camden. This is the only new hospital that has been planned for the system.

Presently, the 300,000 veterans of the South Jersey area are dependent, for VA medical care on the VA hospital at Philadelphia. Now, suddenly, after the years of planning and justification, it is said there is no need for a new hospital at Camden. Why the sudden change?

In the interim, many arguments have been advanced, by the proponents and opponents of the Camden hospital. We are impressed by a statement made by the Administrator of Veterans Affairs during a meeting with the New Jersey Congressional delegation, on February 22, 1978. In his discussion, the Administrator said that after evaluation of all factors in this matter, the final decision to cancel construction plans was a "close call." On that statement, we rest our argument. If the decision on the need for the Camden hospital is "close," then we would like to know why the decision was not made in favor of needed medical care for the veterans of South Jersey, rather than against. Again we raise the specter of an abridgment by the Administration of the commitment to medical care for veterans.

Of course, the largest segment of the South Jersey veteran population is the WW II generation. The Administration is simply saying that it is not going to provide comprehensive medical care for these veterans. Instead it advances plans for an outpatient clinic at Camden, and a Nursing Home Care Unit at the VA hospital, Philadelphia. We say that is not an adequate answer to the needs of these veterans. And we add that if comprehensive medical care is not going to be provided for WW II veterans, who will need it most now, then it is not going to be provided either for Vietnam Era veterans during the years to come. It is our hope that Congress will not accede to this cancellation of a plan that was thoroughly studied and justified.

The American Legion requests the addition of a sum of $7 million for continued design planning for the Camden hospital, for which construction funds were originally going to be requested for Fiscal Year 1980. What is done now, with reference to the Camden VA hospital may signal what is going to be done with the entire VA system.

PORTLAND, OREGON VA HOSPITAL

We wish to say a word about the construction funds that are included in the Administration Budget ($139.1 million) for a replacement hospital for Portland, Oregon.

These funds have been requested in earlier budgets, but they have been withheld due to a controversy about the best location for the replacement hospital. Local agencies and authorities have had their say in this matter. VA has surveyed, and resurveyed the matter. Congress has had its own investigators conduct on-site studies. Oregon veterans groups have spoken.

The American Legion is most impressed by the facts that VA, following repeated surveys has continued to insist on what is known as the Marquam Hill site. And the University of Oregon Health Science Center (with which the VA hospital is affiliated) has developed a detailed rationale supporting the Marquam Hill site. We are also aware that the Oregon American Legion, which is vitally interested in this matter has continued to support Marquam Hill.

It is our conclusion that Marquam Hill is the site of preference. We also believe the subject has been exhausted. There is nothing more that can be usefully said about it. It is the recommendation of The American Legion that the funds requested by the VA now be provided and that construction go forward on the replacement hospital, to be located on the Marquam Hill site.

These discussions have not exhausted the subject of Hospital and Medical Care for Veterans. Other shortfalls in the proposed Budget have been identified. All of them are a cause for concern by this Organization.

The House Committee on Veterans Affairs has recommended, for Hospital and Medical care, a Budget Authority that is $631 million more than the Administration figure. We see an urgent need for all of these additional funds, and it is our earnest request of this Subcommittee that the full figure, as recommended by the Veterans Affairs Committee be provided for FY 1979, for this most important element of the program of veterans benefits and services.

DISABILITY COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION

The American Legion is appreciative of the fact that for the past several years, Congress has regularly responded to inflationary pressures

by adjusting upwards the levels of disability compensation for the service-disabled, and the levels of dependency and indemnity compensation for the survivors of the service-deceased. We believe that one subject about which there is no controversy, is the responsibility of the Government to look to the welfare of those who have been disabled by reason of service and of the survivors of those who have lost their lives during, or by reason of service to the nation.

In its Budget Proposal, the Administration included authority providing for a 5.8% increase in compensation and DIC payments. The Committee on Veterans Affairs has held hearings on this subject, during which The American Legion presented its views. Our concern at the moment is that inflationary pressures seem to be rising faster than expected, and it is our hope that compensation and DIC increases will at least reflect the level of cost-of-living rise that is projected for 1978, based on the forecasts of those who monitor such things. The inevitable time lag between adjustments made on this year's experience and the realities of next year is such that allowance should be made when the rates are set, to allow for the fact that the cost of living continues to rise, even as Congress addresses this problem.

We believe the Committee on Veterans Affairs will recommend authority for an increase in compensation and DIC payments higher than 5.8%. We believe the increase in rates should be no less than 6.5%.

VETERANS DEATH AND DISABILITY PENSION PROGRAM

It is the conviction of The American Legion that the Veterans Death and Disability Pension Program is in disarray, and is badly in need of a thorough restructuring.

For the first time, this year, the Veterans Affairs Committees of both Houses have recognized this serious problem. These Committees are developing legislation that will make substantive changes in the pension program, both for veterans and for their dependents and survivors. The American Legion has had opportunity to present its views on this subject to the Veterans Affairs Committees, and we believe that proposed legislation will be forthcoming that will be meaningful and essentially helpful to the beneficiaries of this program. It is likely that most members of Congress are in receipt of letters and other forms of communications from veteran constituents, mostly in the older category, that have made them aware of the seriousness of the economic and living problems these older veterans and widows are experiencing in trying to cope with the escalating cost of living. We are sure that these communications will make members sympathetic to these problems and receptive to legislation that will ameliorate the difficulties.

The Administration, in its Budget Proposal, included the sum of $111 million to provide for a modest increase in the rates of pension payable under the present, manifestly inadequate program. The legislation that will be put

forward by the Committee on Veterans Affairs will cost more - perhaps as much as $800 million more than the Administration figure. With due consideration of all factors, The American Legion does not believe this additional increase is unrealistic or unmanageable. It is our sincere and earnest hope that the Subcommittee will include the higher figure in its appropriation recommendation. The restructuring of the pension program, with the added cost, will alleviate the urgent problems of this category of beneficiaries, and should diminish the pressure for assistance that is no doubt being experienced by most members of Congress.

EDUCATION AND TRAINING PROGRAMS

The proposed Budget of the Administration does not include any increases in the education and training allowances for those Vietnam Era veterans who are still completing their readjustment to civilian life or their rehabilitation through programs, either under Chapters 31 or 34 of title 38 USC. The American Legion is concerned about this, because the veterans in training are subject to the same inflationary pressures as are all other citizens, and in many cases they have less available resources with which to cope with such pressures. We believe it is fair, equitable and necessary to have a reevaluation of the education and training allowances.

In its submission to the Committee on the Budget, the Committee on Veterans Affairs requested a sum that is $463 million greater than the amount in the Budget Proposal of the Administration.

In these calculations is included an estimate of the downward trend in the numbers of those participating in these programs. But the programs continue to be viable, and, of course, they are part of the readjustment and rehabilitation programs that Congress has provided for those who served during the war in Southeast Asia. It is clearly necessary for the Government to complete the fulfillment of its obligations to this newest generation of war veterans. In order to do so, in the judgment of The American Legion, an upward adjustment of the education and training allowances to compensate for the escalation in the cost of living is essential.

It is our sincere hope this Subcommittee will make provision for increases in the education and training allowances in the Budget Authority for VA programs.

Mr. Chairman and Members of the Subcommittee, in its presentation to the Committee on the Budget, the Committee on Veterans Affairs projected the costs of the programs of benefits and services to veterans, with necessary

adjustments, some of which we have discussed in this statement, at something more than $2.3 billion more than has been requested by the Administration. We have carefully reviewed the reasons advanced by the Veterans Affairs Committee in arriving at the amount that in its judgment will be needed to fund these programs. We believe the Committee's reasoning has been carefully developed. With due regard to inflationary pressures, which have not diminished, but rather escalated, and the justifiable needs of the beneficiaries of these programs, it is our conclusion that the amounts put forward by the Committee on Veterans Affairs are the minimum that will be needed if the Congress is to continue to fulfill the nation's commitment to the men and women who have served in the Armed Forces during the four American wars of the Twentieth Century.

We of The American Legion know full well the multiplicity of demands that are today made on available Federal funds. But we submit to this Subcommittee the thought that the nation's concern for its war veterans is a priority second to none among all the interests of the Government. A nation that does not care for its war veterans, and for their widows and orphans, is in danger of losing its soul. And despite all that has happened to our country during the past fifteen years, it is certainly not yet at that point.

We respectfully request of the Subcommittee that veterans programs be fully funded for Fiscal Year 1979.

We thank you for your consideration of our statement.

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Mr. BOLAND. Thank you for a fine statement. Well drafted, well put, well spoken.

Larry?

Mr. COUGHLIN. Thank you very much, Mr. Chairman.

One question I had on the situation with the Camden Hospital: Are you aware of—I am just asking the question—anything that is about to transpire with the Philadelphia Naval Hospital?

Mr. LYNGH. No, sir. The hospital, as far as we know, is closed. It either has been shut down or is in the process of being shut down.

I can tell you this much, Mr. Congress: it is not the solution to the problem for the 300,000 veterans of South Jersey who comprise nine counties of the state of New Jersey.

With the plans that have been developed by the Veterans Administration to answer that problem, only the plans projected and justified and accepted by the Congress for the past four or five years will solve the problem that exists in that area.

Mr. COUGHLIN. I guess the question I was posing was the matter of a hospital on one side of the river and another one on the other side of the river.

Mr. LYNGH. There's more to it than that. The naval hospital there is not the structure, not d oes it have the facilities available, modalities of technologies needed to answer the problem that is going to exist in South Jersey.

You have to look at your clientele. You have to look at the plans the VA has projected which means integrating with the New Jersey medical school, interacting with the Cooper Hospital.

It's going to result in a medical complex that will be a real star in the firmament of the VA hospital system. It's going to have a tremendous amount of medical care added to the northeast part of the United States.

Mr. LORD. In the event Camden doesn't come into being, what happens in Baltimore? There is a demand, as Bob can tell us. There's better than 300,000 veterans in South Jersey who need this care.

Mr. LYNGH. They are not getting what they need from the VA Hospital in Philadelphia. The things we brought to the attention of the Administration, the accessability to that hospital is not adequate.

Our working service officers, American Legion working service officers in New Jersey, have told us the New Jersey veterans do not feel well accepted by the Philadelphia staff, which the VA denies.

All we know is what the veterans tell us.

With the advancing of the World War II veteran, which predominates, as it does in all sectors of the veteran population, the South Jersey veteran population, the Philadelphia Hospital of 450 beds is not going to be able to answer the needs for the next 10 or 15 years that that veteran population is going to put on the system.

Mr. COUGHLIN. Thank you, Mr. Chairman.

WITNESS

DON SCHWAB, DIRECTOR OF NATIONAL LEGISLATIVE SERVICE FOR VETERANS OF FOREIGN WARS

Mr. BOLAND. We will move on to Don Schwab, Director of National Legislative Service for the Veterans of Foreign Wars.

I understand you appear with reference to the VA budget.

Mr. SCHWAB. Yes, sir. Thank you, Mr. Chairman.

The President's recommended budget for the Fiscal Year 1979 is $500 billion in outlays, or $1/2 trillion for the first time in the history of our nation. This is an increase of 8 percent over the fiscal year 1978 budget.

The President's recommendation for the Veterans Administration for the next fiscal year is $19.2 billion in outlays, or 3.8 percent of the federal budget.

Just 4 years ago, the Veterans Administration's share of the federal budget was 5.1 percent. In 1955, it was 6.9 percent, and in the intervening 23 years, our veteran population has increased nearly 40 percent.

Mr. Chairman, the President's recommended budget is wholly inadequate if the Veteran's Administration is to properly carry out its mission as mandated by the Congress of the United States.

One of the greatest shocks in the budget was the complete absence of funding for the new 480-bed general hospital in Camden, New Jersey previously approved by both the President and his predecessor. The projected cost of this facility in January 1977 was $75.3 million and, based upon the rise in the Cost of Construction Index, would now cost at least $86.8 million. In addition, there have been recent rumblings that the replacement hospital in Portland, Oregon, will not be built.

We do not know whether this is merely a ploy to influence the ongoing site dispute or not. As you may recall, during these very hearings last year, the Veterans of Foreign Wars strongly supported the Marquam Hill site, as did both the Veterans Administration and the major veterans organizations in Oregon.

Funding is in the proposed budget, and the cost rises with each year of delay. We still support the Marquam Hill site, which in our opinion is more desirable than the slum clearance area near the Emanuel Hospital.

A cut of $32 million by eliminating 3,132 hospital beds in 33 states is just unthinkable. A listing of the hospitals by state in which beds will be cut is appended to my testimony. This is the equivalent of closing down more than six 500-bed hospitals, with the reduction of 1,500 personnel.

In the past 10 years, the VA has closed 15,000 hospital beds, or thirty 500-bed hospitals. We hear another 5,000 beds will be discontinued the following year rather than the 2,500 projected.

Further, we understand 40 beds, or one complete ward, will not be activated in the new Loma Linda, California, hospital.

In conjunction with these bed closings, the Veterans Administration has maintained an approximate 17 percent rejection rate over the years every month, while veterans seeking and in need of hospitalization are turned away by admitting physicians.

The shortfall in medical and prosthetic research is placed at $25 million by physicians within the program. Medical research is to be totally discontinued at 64 hospitals, according to the National Association of VA Physicians, with the resultant loss of scores of research physicians and highly skilled paramedical and support personnel, not to mention a drastic cutback in the Research Career Development Program; this, notwithstanding the award last year of Nobel prizes to two Veterans Administration research physicians. A list of hospitals where research is to be terminated is also appended to my testimony.

The reduction of $7.6 million in the domiciliary construction program, precluding previously planned new starts.

Not one cent is included to grant a cost-of-living increase to the 1.4 million veterans and their survivors availing themselves of education and training benefits under the GI Bill; this, notwithstanding an increase of $1.46 billion in education programs under the Department of Health, Education and Welfare, including $990 million for Basic Educational Opportunity Grants to guarantee a $250 grant to students from families with incomes up to $25,000 a year.

An inadequate 5.8 percent cost-of-living increase in compensation payable to our 2.3 million veterans with service-connected disabilities and Dependency and Indemnity Compensation to the 364,000 survivors of those killed in line of duty, or who succumbed to their service-connected disabilities.

The $111 million proposed for "pension improvements" will not even permit a cost-of-living increase for our 1 million wartime veterans in need due to their nonservice-connected disabilities and their 1.3 million survivors in financial need, let alone restructure the pension program.

Abolishment of 664 positions with the Department of Veterans Benefits, primarily in regional offices, where veterans in cities and communities are assisted by these personnel.

The Administration proposes to save $100 million in the Fiscal Year 1979 budget by eliminating correspondence training programs for veterans, their spouses and surviving spouses and, also, elimination of the flight training program. This is legislation the Congress has repeatedly failed to advance.

There are no funds whatsoever to provide a cost-of-living increase to the programmed 216.3 thousand Veterans Administration employees.

Mr. Chairman, we of the Veterans of Foreign Wars are deeply concerned with the inadequacies of the proposed Fiscal Year 1979 Veterans Administration budget; in particular, the cutbacks in medical

research, the continued closing of hospital beds and the cancellation of both hospital and domiciliary construction.

Mr. Chairman, it has become an annual ritual for the Veterans Administration to acquiesce to a wholly inadequate budget, as prepared by the President's Office of Management and Budget. We of the Veterans of Foreign Wars, Mr. Chairman, look to you and the members of this most important Subcommittee to establish a spending target for the First Concurrent Budget Resolution in concert with the unbiased recommendations of the Senate and House Veterans Affairs Committees and the Veterans of Foreign Wars of the United States.

This concludes my testimony, and I will be happy to respond to any questions you may have. Thank you.

Mr. BOLAND. Thank you for your testimony, Mr. Schwab.

Mr. SCHWAB. Thank you.

[Full statement follows:]

STATEMENT OF DONALD H. SCHWAB

Mr. Chairman and members of the subcommittee, thank you for the privilege of appearing before this distinguished Subcommittee to present the views of the Veterans of Foreign Wars of the United States with respect to the Veterans Administration Budget for the Fiscal Year 1979.

My name is Donald H. Schwab, and my title is Director, National Legislative Service, Veterans of Foreign Wars of the United States.

Mr. Chairman, the Veterans Administration Budget contained in the HUD—Independent Agencies Appropriation is the single most important bill before Congress each year insofar as our veterans, their dependents and survivors are concerned.

The President's recommended budget for the Fiscal Year 1979 is $500 billion in outlays, one half a trillion dollars for the first time in the history of our great nation. This is an increase of 8% over the Fiscal Year 1978 budget, which was $462 billion in outlays. The President's recommendation for the Veterans Administration the next Fiscal Year is $19.2 billion in outlays or 3.8 percent of the Federal budget. Just four years ago the Veterans Administration's share of the Federal budget was 5.1 percent. In 1955, it was 6.9 percent, and in the intervening twenty-three years, our veteran population has increased nearly 40 percent to 29.9 million, of whom 26.5 million are wartime veterans.

Mr. Chairman, the President's recommended budget is wholly inadequate if the Veterans Administration is to properly carry out its mission as mandated by the Congress of the United States. Under date of April 4, 1978, our National Commander-in-Chief, John Wasylik, wrote to every member of both the Senate and House Appropriations and Budget Committees outlining the most glaring deficiencies in the Veterans Administration budget. In our opinion, an increase in the proposed budget of $2.3 billion for outlays of $21.5 billion is absolutely necessary to offset the following and other short falls:

1. One of the greatest shocks in the budget was the complete absence of funding for the new 480 bed general hospital in Camden, New Jersey, previously approved by both the President and his predecessor. The projected cost of this facility in January, 1977, was $75.3 million and, based upon the rise in the Cost of Construction Index, would now cost at least $86.8 million. In addition, there have been recent rumblings that the replacement hospital in Portland, Oregon will not be built. We do not know whether this is merely a ploy to influence the ongoing site dispute or not. As you may recall, during these very hearings last year, the Veterans of Foreign Wars strongly supported the Marquam Hill site, as did both the Veterans Administration and the major veterans organizations in Oregon. It is absolutely necessary that this replacement hospital be built. Funding is in the proposed budget and the cost rises with each year of delay. We still support the Marquam Hill site, which in our opinion is more desirable than the slum clearance area near the Emanuel Hospital.

2. A cut of $32 million by eliminating 3,132 hospital beds in 33 states. A listing of the hospitals by state in which beds will be cut is appended to my testimony.

This is the equivalent of closing down more than six 500 bed hospitals with the reduction of 1,500 personnel. In the past ten years, the VA has closed 15,000 hospital beds or thirty 500 bed hospitals. We hear another 5,000 beds will be discontinued the following year rather than the 2,500 projected. Further, we understand 40 beds, or one complete ward, will not be activated in the new Loma Linda, California hospital. In conjunction with these bed closings, the Veterans Administration has maintained an approximate 17 percent rejection rate over the years every month, while veterans seeking and in need of hospitalization are turned away by admitting physicians. The highest rejection rates consistently appear at Albany, New York 55.2%; Cleveland, Ohio 58.6%; Huntington, West Virginia 59.7%; Jackson, Mississippi 44.9%; Kansas City, Missouri 58.7%; New York, New York 59.9%; West Haven, Connecticut 41.5%.

3. The short fall in medical and prosthetic research is placed at $25 million by physicians within the program. Medical research is to be totally discontinued at 64 hospitals according to the National Association of VA Physicians, with the resultant loss of scores of research physicians and highly skilled paramedical and support personnel, not to mention a drastic cutback in the Research Career Development Program. This, notwithstanding the award last year of Nobel prizes to two Veterans Administration research physicians. A list of hospitals where research is to be terminated is also appended to my testimony.

4. The reduction of $7.6 million in the domiciliary construction program, precluding previously planned new starts.

5. Not one cent is included to grant a cost-of-living increase to the 1.4 million veterans and their survivors availing themselves of education and training benefits under the "GI Bill." This, notwithstanding an increase of $1.46 billion in educational programs under the Department of Health, Education and Welfare, including $990 million for Basic Educational Opportunity Grants (BEOG) to guarantee a $250 grant to students from families with incomes up to $25,000 a year.

6. An inadequate 5.8 percent cost-of-living increase in compensation payable to our 2.3 million veterans with service connected disabilities and Dependency and Indemnity Compensation to the 364,000 survivors of those killed in line of duty or who succumbed to their service connected disabilities.

7. The $111 million proposed for "pension improvements" will not even permit a cost-of-living increase for our 1 million wartime veterans in need due to their non-service connected disabilities and their 1.3 million survivors in financial need, let alone restructure the pension program.

8. Abolishment of 664 positions within the Department of Veterans Benefits, primarily in regional offices, where veterans in cities and communities are assisted by these personnel.

9. The Administration proposes to save $100 million in the Fiscal Year 1979 budget by eliminating correspondence training programs for veterans, their spouses and surviving spouses, and, also, elimination of the flight training program. This is legislation the Congress has repeatedly failed to advance.

10. There are no funds what-so-ever to provide a cost-of-living increase to the programmed 216.3 thousand Veterans Administration employees.

Mr. Chairman, we of the Veterans of Foreign Wars are deeply concerned with the inadequacies of the proposed Fiscal Year 1979 Veterans Administration Budget. In particular, the cutbacks in medical research, the continued closing of hospital beds and the cancellation of both hospital and domiciliary construction. As our Commander-in-Chief stated in his letter to you, this is the same pattern used to close the Public Health Service Hospitals, i.e., cut the number of beds and patients treated, starve them financially (there is a short fall of $408.7 million in the medical program's budget), and not replace antiquated facilities.

Mr. Chairman, it has become an annual ritual for the Veterans Administration to acquiesce to a wholly inadequate budget, as prepared by the President's Office of Management and Budget. Then, the Veterans Affairs Committees of both bodies and the V.F.W. must do the pleading to obtain the necessary funding to permit the Veterans Administration to fully carry out its responsibilities as mandated by Congress. We of the Veterans of Foreign Wars, Mr. Chairman, look to you and the members of this most important Subcommittee, to establish a spending target for the First Concurrent Budget Resolution in concert with the unbiased recommendations of the Senate and House Veterans Affairs Committees and the Veterans of Foreign Wars of the United States.

This concludes my testimony, and I will be happy to respond to any questions you may have. Thank you.

Projected bed loss in VA hospitals, by State, under administration's fiscal year 1979 budget

Facility	Bed loss
Alabama: Tuskegee	36
Arkansas: Little Rock	54
California:	
Brentwood	20
Fresno	10
Long Beach	300
Martinez	41
Palo Alto (two div.)	56
San Diego	45
San Francisco	28
Sepulveda	60
Wadsworth	40
Colorado:	
Denver	26
Fort Lyon	28
Connecticut: West Haven	40
Florida: Miami	33
Georgia:	
Atlanta	32
Augusta	70
Dublin	27
Illinois:	
Chicago (Lakeside)	21
Chicago (West Side)	19
Danville	53
Hines	40
Marion	4
North Chicago	34
Indiana:	
Indianapolis	34
Marion	77
Iowa:	
Des Moines	21
Iowa City	22
Knoxville	35
Kansas:	
Leavenworth	29
Whichita	22
Kentucky: Louisville	21
Louisiana:	
New Orleans	28
Shreveport	27
Maine: Togus	60
Maryland:	
Baltimore	10
Perry Point	26
Massachusetts: Bedford	34
Michigan:	
Allen Park	27
Ann Arbor	38
Battle Creek	70
Saginaw	30
Minnesota: Minneapolis	64
Missouri:	
Columbia	30
Kansas City	10
St. Louis	25
Nebraska:	
Grand Island	10
Lincoln	21
Omaha	27
New Jersey:	
East Orange	68
Lyons	70
New York:	
Bronx	98
Brooklyn	60
Montrose	52
New York	66
Northport	10
Syracuse	31
North Carolina:	
Salisbury	33
Ohio:	
Chillicothe	25
Cleveland	70
Dayton	33
Oklahoma:	
Oklahoma City	30
Oregon:	
Roseburg	9
Pennsylvania:	
Altoona	31
Butler	25
Pittsburgh (UD)	31
Tennessee:	
Murpheesboro	90
Texas:	
Big Spring	18
Houston	60
San Antonio	30
Temple	35
Utah:	
Salt Lake City	32
Washington:	
Walla Walla	31
West Virginia:	
Martinsburg	72
Wisconsin:	
Madison	47
Wood	50
Total bed loss	3,132

NINE HOSPITALS

Canadaigua, N.Y., William F. Walsh.
Clarksburg, W. Va., Robert H. Mollohan.
Fort Meade, S. Dak., James Abdnor.
Grand Junction, Colo., James P. Johnson.
Lebanon, Pa., Robert S. Walker.
Lincoln, Nebr., Charles Thone.
Marion, Ind., Ellwood Hillis.
Sheridan, Wyo., Teno Roncalio.
Walla Walla, Wash., Thomas S. Foley.

FIFTY-FIVE HOSPITALS

Allen Park, Mich., John D. Dingell.
American Lake, Wash., Don L. Bonker.
Asheville, N.C., V. Lamar Gudger.
Baltimore, Md., Barbara Mikulski.
Bath, N.Y., Stanley N. Lundine.
Bay Pines, Fla., C. W. Young.
Bedford, Mass., Paul E. Tsongas.
Biloxi, Miss., Trent Lott.
Boston OTC, Mass., John J. Moakley.
Brockton, Mass., James A. Burke.
Cincinnati, Ohio, Willis Gradison.
Coatesville, Pa., Robert S. Walker.
Columbia, S.C., Floyd D. Spence.
Columbus OP OTC, Ohio, Chalmers P. Wylie.
Danville, Ill., George E. Shipley.
Dayton, Ohio, Charles W. Whalen, Jr.
Decator (Atlanta), Ga., Elliott H. Levitas.
Des Moines, Iowa, Neal Smith.
Fargo, N. Dak., Mark Andrews.
Fresno, Calif., B. F. Sisk.
Hampton, Va., Paul S. Trible, Jr.
Huntington, W. Va., Nick J. Rahall.
Knoxville, Iowa, Neal Smith.
Lake City, Fla., Don Fuqua.
Levinworth, Kans., Martha Keys.
Livermore, Calif., Fortney H. Stark.
Los Angeles OTC, Calif., Edward R. Roybal.
Lubbock, Tex., OTC, George H. Mahon.
Lyons, N.J., Millicent Fenwick.
Martinsburg, W. Va., Harley O. Staggers.
Montrose, N.Y., Hamilton Fish, Jr.
Mountain Home, Tenn., James H. Quillen.
Newington, Conn., William R. Cotter.
North Chicago, Ill., Robert McClory.
Northampton, Mass., Silvio O. Conte.
Northport, N.Y., Jerome A. Ambro.
Perry Point, Md., Robert B. Brown.
Phoenix, Ariz., Eldon O. Rudd.
Pittsburgh, Pa. (HD), William S. Moorhead.
Prescott, Ariz., Bob Stump.
Salem, Va., M. Caldwell Butler.
Salisbury, N.C., W. G. Hefner.
Shreveport, La., Joe D. Waggonner, Jr.
Sioux Falls, S. Dak., Larry Pressler.
St. Cloud, N. Mex., Richard M. Nolan.
Syracuse, N.Y., James M. Hanley.
Tampa, Fla., Sam M. Gibbons.
Temple, Tex., W. R. Poage.
Togus, Maine, David F. Emery.
Tuscaloosa, Ala., Walter Flowers.
Tuskegee, Ala., William Nichols.
Waco, Tex., W. R. Poage.
White River Junction, Vt., James Jeffords.
Wichita, Kans., Daniel R. Glickman.
Wilmington, Del., Thomas B. Evans. Jr.

Veterans Affairs

WITNESSES

CHARLES E. JOECKEL, JR., ASSISTANT NATIONAL DIRECTOR OF LEGISLATION, DISABLED AMERICAN VETERANS
DON FEILMAN, DEPUTY NATIONAL DIRECTOR OF LEGISLATION

Mr. Boland. Our next witness is Charles E. Joeckel, Jr., Assistant National Director of Legislation, Disabled American Veterans. You aren't going to read the whole statement, I take it?

Mr. Joeckel. No, sir. I have with me today, Mr. Chairman, Don Feilman, Deputy National Director of Legislation.

If I might, I would like to recognize several of the disabled veterans who have taken the time to come down here.

Mr. Boland. Fine. Why don't you identify them and tell us where they are from?

Mr. Joeckel. We have a large contingent from Baltimore, Maryland, Chapter 1 up there. In fact, the whole department. The Department of Maryland Adjutant, Manny Arnberg; Mr. Paul Thompson from Baltimore, Maryland, a National Executive Committeeman; Mr. Metro Ostarsh, and a large contingent from Philadelphia, Pennsylvania; Harry Brockman from Pennsylvania, and Commander Zygmunt Z. Karejwo.

Mr. Boland. I take it there is unanimity on your statement on behalf of all of those.

Mr. JOECKEL. Thank you very much. I would like to submit my entire text for the record.

Mr. BOLAND. It will be put in the record.

[The complete statement follows with attachments:]

STATEMENT OF
CHARLES E. JOECKEL, JR.
ASSISTANT NATIONAL DIRECTOR OF LEGISLATION
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES
OF THE
HOUSE COMMITTEE ON APPROPRIATIONS
APRIL 12, 1978

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the 555,000 members of the Disabled American Veterans, I wish to thank you for giving us this opportunity to offer our comments on the Veterans Administration budget request for Fiscal Year 1979.

Admittedly, Mr. Chairman, we are not experts in fiscal or budgetary matters. However, as an organization that has, for more than 50 years, had a sincere interest in our Nation's disabled veterans, their dependents and survivors, the DAV is vitally concerned with adequate funding for all VA programs that provide benefits and services for our 29.8 million veterans, the 62.1 million members of their families, and the 3.8 million survivors of deceased veterans.

Comparing the Veterans Administration budget with the total Federal budget, over the past few years, the percentage of outlays attributable to the VA has steadily decreased from a high of 5.1 percent of total Federal spending in 1975 to a low of 3.8 percent requested for Fiscal Year 1979.

While the Administration's appropriation request for Fiscal Year 1979 of $18,335,647,000 for existing legislation and $535,005,000 of permanent authority, recommends an increase in budget outlays of $340.6 million over the FY 1978 total, the 1979 VA budget, in our view, remains inadequate.

We do, however, wish to commend the Administration for their insight in recommending the appropriation of funds to cover 1979 increases in compensation payments, which anticipates an increase in the Consumer Price Index. The DAV has, in the past, supported the appropriation of such funds in connection with budget requests in order to ensure that these essential benefits for disabled veterans are not eroded by inflation.

While we welcome the request for increased budget authority in order to offset similar increases in the cost of living, the initial request of $309 million, however, projects only a 5.8 percent increase in the CPI--an estimate which will be, in our opinion, well below the actual rise in the cost of living.

In addition, Mr. Chairman, I would like to call your attention to the fact that the Subcommittee on Compensation, Pension and Insurance of the House Committee on Veterans' Affairs only last week (April 4, 1978) marked-up a compensation increase measure which would provide for an upward adjustment in these benefits of 6.5 percent. Should this legislation become law, increased funding of approximately $150 million over the amount requested by the VA would be necessary.

The President's budget also includes an appropriation request of $111 million for proposed legislation to improve the VA pension program. As you may know, Mr. Chairman, the Veterans Affairs' Committees of both the House and Senate have come under increased pressure to revise the pension program and to extend an extra measure of financial protection to those veterans who served during World War I.

Both Committees have responded with similar legislation which proposes sweeping changes in the VA pension program. In fact, the House Committee on Veterans' Affairs on March 13, 1978, marked-up a pension reform bill (H. R. 10173) which carries a first year cost of approximately $850 million. The Senate proposal (S. 2384) would cost approximately $600 million more than the amount requested by the VA for pension improvements.

Mr. Chairman, there is little doubt that a pension reform bill will be enacted into law this year, and it has become very clear that increased funding of at least $600 million over the Administration's request will be needed in order to implement the liberalizations proposed by the Veterans' Affairs Committees.

The Veterans Administration also proposes legislation that, if enacted into law, would result in the following cost savings:

Proposed Legislation	Amount of Savings
* Eliminate benefits for flight training programs (effective 10/1/78).	-$53,833,000
* Eliminate benefits for correspondence training programs (effective 10/1/78).	-$46,167,000
* Administrative expense reduction related to the legislative proposals eliminating new enrollments in flight training programs and correspondence training.	-$1,374,000
* To effect reimbursement to the VA by private insurers and workers compensation for the cost of medical care and treatment to veterans with non-service-connected disabilities.	-$120,000,000

Proposed Legislation	Amount of Savings
* To amend current legislation to limit the payment for reimbursement of travel expenses of beneficiaries provided medical care for non-service-connected disabilities.	-$38,453,000
* Total VA proposed savings.	-$243,491,000

The DAV strongly opposes these legislative proposals to reduce veterans' benefits by nearly $245 million, and there is little reason to believe that most of these savings will be achieved. As the Congress has consistently rejected similar proposals in the past, we respectfully request that the Fiscal Year 1979 appropriation be increased by this amount.

DEPARTMENT OF VETERANS BENEFITS

The Department of Veterans Benefits is directly responsible for providing all non-medical benefits and services authorized by law to veterans, their widows, and dependents.

These benefits include such major programs as compensation for service-connected disability; pension for the aged, needy, and unemployable veterans; vocational rehabilitation assistance; educational and training assistance; home buying assistance; dependency and indemnity compensation and non-service-connected death benefits.

Mr. Chairman, once again the VA's budget request calls for a decrease in the number of employees for the Department of Veterans Benefits. In 1977, DVB personnel declined by 243 employees, and it is projected that at the end of Fiscal Year 1978, the average employment in DVB will have declined by 741 employees.

The Fiscal Year 1979 budget indicates an additional loss of 667 Department of Veterans Benefits personnel. This is based on an anticipated decline in the compensation, pension and education workloads and a reduction in the Vet Reps on Campus Program.

Quite frankly, Mr. Chairman, the DAV wonders how the VA can continue to deliver effective and efficient service if this trend is allowed to continue. In this connection, I would like to point out that last year the VA underestimated the pension case load by 15,488 cases. We therefore believe that the $53.2 million decrease in the cost of the pension program estimated for Fiscal Year 1979 is unrealistic.

As I stated earlier, Mr. Chairman, there is little doubt that the Congress will enact "pension reform" legislation this year and when this occurs, it will undoubtedly result in an increase in the pension case load.

The VA further anticipates a substantial decline in the education workloads in Fiscal Year 1979, primarily due to the expiration of entitlement for those veterans who were discharged from service more than ten years ago and due to the fact that many veterans have used their full educational entitlement or have completed their educational objective.

The DAV agrees that education workloads will continue to decline, however, I would like to point out that last year the VA overestimated by approximately 72,000 the decrease in the number of education trainees. The DAV, therefore, does not believe that the decline in education workloads will be as great as anticipated by the Veterans Administration.

Accordingly, we ask the Committee's approval of full funding for the budget request for DVB and urge that the Fiscal Year 1978 employment level for the Department of Veterans Benefits be maintained. In addition, in view of the poor record of the Veterans Administration in estimations for readjustment benefits in the past, we are very pessimistic about the anticipated decline of $529 million in these expenditures. The DAV believes that these programs will continue to decline at approximately the same rate as in Fiscal Year 1978, and we respectfully request that the appropriation for readjustment benefits be increased accordingly.

MEDICAL PROGRAMS

The medical care appropriation provides for medical care and treatment of eligible beneficiaries in Veterans Administration hospital, nursing home, domiciliary and outpatient clinic facilities, contract hospitals, community nursing homes, and through the hometown physicians and dentists outpatient program on a fee basis.

Hospital and outpatient care also is provided by the private sector for certain dependents and survivors of veterans under the Civilian Health and Medical Program of the Veterans Administration (CHAMPVA).

We note, Mr. Chairman, that the $5.3 billion budget request for medical care calls for an increase of approximately $350 million over appropriations for Fiscal Year 1978. This amount accounts for little more than a 6 percent inflation factor over funds necessary to maintain the existing level of medical care provided to veterans and their eligible dependents.

The DAV is deeply disturbed over budget reductions which will strike at the very heart of the VA medical program. I refer to those budget cuts which will result in the staggering loss of:

(1) 3,132 operating beds representing a monetary loss of $32.3 million.

(2) 64 vital research projects representing a monetary loss of $18.3 million,

(3) $237 million loss in programs for hospital construction and improvement of nursing care, outpatient and domiciliary facilities,

Mr. Chairman, the DAV is adamantly opposed to the elimination of the 3,132 medical, surgical, psychiatric and domiciliary beds. This reduction, which equates to the loss of six 500-bed hospitals, brings the total number of VA Hospital beds that have been eliminated over the past ten years to 14,000.

The DAV has recently completed a survey of our membership on the level of care received at VA medical facilities throughout the country. Their response (copy of survey report attached) reveals a general sense of frustration with the quality and delivery of medical care in our VA Hospitals. We received 326 letters from disabled veterans over a three-month period.

These letters were categorized into 22 separately identifiable problems encountered by disabled veterans when seeking or obtaining medical attention in VA's 172 hospitals, 215 outpatient clinics, and with fee-basis physicians. Seven hundred and sixty (760) separate complaints were received and reported to the Veterans Administration for corrective action.

As indicated by the attached statistical breakdown, the major complaints center on excessive waiting times in hospitals and outpatient treatment facilities (30 percent), improper attitudes or lack of sensitivity by either VA physicians or clerical personnel (36 percent), unnecessary delays in the receipt of prescription medications (20 percent), and lack of priority to the service-connected disabled veteran as required by law (25 percent).

Most significant, however, is the fact that there were 44 complaints that veterans seeking hospitalization or outpatient treatment were refused such services--a number of these veterans were soon forced to receive medical treatment from private physicians and/or hospitals.

While the results of this survey compare favorably with those of a similar survey we conducted two years ago, they confirm the existence of problems associated with continuing medical budgetary cutbacks, extremely low staff-to-patient ratios, and the large turnover in physicians and professional staff that have taken place over the past several years.

Mr. Chairman, if these 3,132 beds are eliminated and the Administration is allowed to implement its plan to cut back an additional 2,100 beds in Fiscal Year 1980, we are certain that it will have an adverse effect on the quality of care provided to our Nation's veterans.

In addition, we have noted that the Fiscal Year 1979 budget request includes funding for an additional 1,100 employees in the Department of Medicine and Surgery. Paradoxically, the VA proposes to reduce the number of medical employees by .6 for each bed of the 3,132 slated for elimination.

The justification for the VA cutback in beds rests upon the contention that more veterans will be treated over a shorter period of time. The corresponding loss of 1,500 employees as a result of the elimination of 3,132 beds provides essentially no change in the current staff-to-patient ratios, and we wonder just how long the VA can continue to treat more and more veterans with current staffing ratios and fewer beds?

RESEARCH

As I stated earlier, Mr. Chairman, the DAV is disturbed over VA's abandonment of 64 Medical and Prosthetic Research Programs.

As you know, it is a well-established fact that the research and training programs in our VA Hospitals have resulted in the attraction and retention of qualified medical personnel. Through its medical research program, the VA has been able to attract highly qualified professionals and one-half of all physicians graduating from U. S. medical schools receive some of their training in VA Hospitals. In addition, VA's research has been world-renowned and provided medical breakthroughs that have been beneficial to all Americans.

However, over the last four years, all VA research projects have realized a 20 percent reduction in funding and biomedical research alone has suffered a 40 percent cutback since 1975.

The DAV is vitally concerned that the declining quality of VA medical research programs will significantly inhibit efforts to attract the most talented doctors and other health care professionals into the VA health care system--particularly when VA's salaries are not competitive.

Without the incentive of high salaries, the VA can only offer opportunities for rewarding research and as this incentive declines, VA's ability to attract and retain younger physicians will correspondingly decline.

CONSTRUCTION PROGRAMS

The Veterans Administration's Contruction Program is funded by two appropriations--Construction, Major Projects--Construction, Minor Projects.

The Construction, Major Projects appropriation provides for constructing, altering, extending and improving any VA facility,

including planning, architectural and engineering services, and site acquisition, where the estimated cost of a project is $1 million or more.

The Construction, Minor Projects appropriation provides for constructing, altering, extending and improving any VA facility, including planning, architectural and engineering services, and site acquisition where the estimated cost of the project is less that $1 million, and for the cost of the Office of Construction.

Again, Mr. Chairman, the DAV is disappointed that the budget authority for the Construction Program is $71 million below the Fiscal Year 1978 level. We are deeply disturbed that funding is not included for 36 major construction projects and that the Administration request calls for a 67 percent decrease in grants for construction of State Extended Care Facilities.

We wish to point out, Mr. Chairman, that the VA has announced the abandonment of, among others, the following major projects:

* a 480-bed hospital in Camden, New Jersey;

* badly needed outpatient clinics in Brooklyn, New York and Boston, Massachusetts;

* a 60-bed Spinal Cord Injury Unit in Houston, Texas; and

* domiciliaries in Bath, New York and Hampton, Virginia.

It is our opinion that VA's failure to request funds to build new facilities, replace and modernize its outpatient clinics, provide more domiciliary care and to construct a much needed Spinal Cord Injury Unit, is ill conceived. The Administration's decision fails to take into account the:

(1) increased demand on VA outpatient clinics,

(2) the aging veteran population, and

(3) the specialized needs of the severely disabled.

Mr. Chairman, I would like to call your attention to the recently completed report by the National Academy of Sciences entitled "Health Care for America's Veterans." In Chapter 4 (page 53) of the NAS study, the Academy notes that "several VA Hospitals, particularly former military facilities, have basic design defects that cannot be eliminated."

We concur in this NAS assessment, and we strongly believe that the VA's ability to provide high quality health care is contingent upon its professional staff and the quality of its medical facilities.

Accordingly, Mr. Chairman, the DAV supports full funding of VA's Fiscal Year 1979 budget request for its Medical Care, Medical and Prosthetic Research, and Construction Programs. In addition, we respectfully request that you restore the following sums in order to ensure that the quality of VA medical care remains second to none:

* $32 million to maintain the existing number of VA hospital beds;

* $18.5 million for Medical and Prosthetic Research;

* $237 million for Construction, Major Projects;

* $34 million for Construction, Minor Projects.

As we see it, Mr. Chairman, the VA budget request for Fiscal Year 1979 falls short of providing the necessary funds to meet its current program. Considering these shortfalls and the new initiatives the Congress is likely to enact this year, we believe that the Administration's budget request should be increased by approximately $2.5 billion.

In conclusion, the Disabled American Veterans strongly supports full funding of the the Veterans Administration Fiscal Year 1979 budget request with the additions recommended in this presentation.

This concludes my statement, Mr. Chairman, and I wish to again thank you for giving us this opportunity to appear here today.

26-648 O - 78 - 20

This constitutes a report of the responses received in connection with the November DAV Magazine article entitled "Second to None" by National Service Director Norman B. Hartnett.

A total of three hundred and twenty-six (326) responses have been received through February 15, 1978. Each response has been recorded and categorized in an effort to delineate the problems encountered by the disabled veteran when seeking or obtaining medical attention in the VA Health Care System. Of those responses, fifty-eight (58) were totally favorable to the system. Seven hundred and sixty (760) complaints, however, have been identified.

Attached for your review as Attachment 1 is a statistical as well as percentage breakdown for both responses and complaints. Attachment 2 is an explanation of each category indicated on the survey.

Based upon the Attachments 1 and 2, I will not recite each category nor the statistics associated therewith. In this report, however, I feel it important to point out some of the most commonly raised complaints.

Of those veterans responding to the survey, thirty percent (30%) complained that waiting time in both hospitals and outpatient treatment facilities was too long and often extended into hours before seeing a physician. This was encountered whether or not an appointment had been scheduled. Further noted is the fact that twenty percent (20%) referred to extended waiting periods for prescription medications after treatment by the physician.

Thirty-six percent (36%) of all respondents indicated poor attitude by VA physicians and personnel. Veterans were both distressed and indignant over being treated as "third class citizens," subjected to inferences such as "What do you want?," "What do you expect?" or "You're lucky to have these services at all."

An additional twenty-five percent (25%) said that there is no service-connected priority as was again shown by block scheduling of patients, service-connected or not.

Finally and most importantly in my opinion, is the fact that thirteen percent (13%) of those veterans seeking hospitalization or treatment were refused such services.

This observer can only conclude from this and the prior DAV survey of 1975 that VA medical services to veterans must be improved. Too great a number of veterans all across the country in every aspect of the VA hospital system encounter problems. Prompt, courteous and quality medical care is a right bestowed upon the veteran by a grateful nation and law. Anything less than this cannot and should not be allowed to occur.

ATTACHMENT 1

RESPONSE TO SERVICE COMMENTS ARTICLE, NOVEMBER 1977

Categories	Complaints	Percent of total	Percent of letters received
1. Service-connected priority	81	10	25
2. Waiting time, O/P or hospital	98	12	30
3. Block scheduling	20	2	6
4. Locating records	24	3	7
5. Language barriers	41	5	12
6. Compensation examinations	26	3	7
7. Prescriptions, pharmacies	68	8	20
8. Thoroughness	27	3	8
9. Improper medical treatment	32	4	9
10. Travel pay	48	6	14
11. Refused treatment or admission	44	5	13
12. Private hospital admission	20	2	6
13. Personnel attitudes	71	9	21
14. Physicians' attitudes	52	6	15
15. Prosthetics	12	1	3
16. Eyeglasses	11	1	3
17. Dental treatment	8	1	2
18. Time lost from work	3	.03	.09
19. Understaffed	20	2	6
20. Appearance of facilities	10	1	3
21. Parking problems	7	.09	2
22. Fee basis	17	2	5
23. CHAMPVA	20	2	6
Favorable replies	58	----------	17
Total complaints received	760	----------	----------
Total letters received	326	----------	----------

EXPLANATION OF CATEGORIES

The DAV, in response to the Service Comments article "Second to None" which appeared in the November issue of our national magazine, developed twenty-three (23) categories of concern to veterans seeking medical services via the Veterans Administration health care delivery system. Following for your information are the categories used as well as a brief explanation of each.

(*1*) *Service-connected priority*

This category refers to lack of priority consideration for the service-connected as per the provisions of the Omnibus Health Care Act of 1976, P.L. 94-581.

(*2*) *Waiting time, outpatient or hospital*

This pertains to those veterans who made scheduled appointments for treatment and who were seen long after their scheduled time or were not seen at all.

(*3*) *Block scheduling*

This category reflects problems encountered by veterans who arrive for scheduled appointments only to find many others waiting treatment at the same scheduled time.

(*4*) *Locating records*

Numerous veterans have voiced concern over the loss of or delay in obtaining records when reporting for treatment.

(*5*) *Language barriers*

This relates to complaints that foreign speaking physicians have communication problems with veteran patients and VA staff.

(*6*) *Compensation examinations*

This category notes complaints regarding rating examinations, specifically duration, completeness and inadequacy.

(*7*) *Prescriptions-pharmacies*

Veterans continue to endure extremely long waiting periods when obtaining medicines in the pharmacies. Many complain that prescriptions cannot be or are not fillable. Others complain that mail-outs are unduly delayed.

(*8*) *Thoroughness*

This concerns inadequacy of outpatient treatment or unresolved medical problems.

(*9*) *Improper medical treatment*

This category indicates the dissatisfaction by veterans with medical treatment received, complaints range from misdiagnosis, improper medication, no medication, lack of treatment to no treatment. Some veterans indicated that treating physicians providing treatment for their condition was trained in another field of medicine.

(*10*) *Travel pay*

This refers to difficulty veterans experience in obtaining travel pay in connection with the receipt of authorized treatment. Others claimed they never received such payment.

(*11*) *Refused treatment or hospitalization*

Many veterans who sought outpatient treatment or hospitalization were refused same for a variety of reasons.

(*12*) *Private hospital admission*

This category reflects that many of those veterans refused treatment or admission to the VA facilities obtained treatment through private sources. Others, due to emergencies or distance from the nearest VA hospital, used this method for obtaining necessary medical attention.

(*13*) *Personnel attitudes*

Many veterans who sought treatment at VA installations complained that the personnel treated them as "third class citizens" often using terms such as "What do you want?," "What do you expect?" or "You're lucky to have these services at all."

(*14*) *Physicians' attitudes*

A great number of veterans complained that physicians were impersonal in their approach, were extremely curt and generally appeared unconcerned over their problems.

(*15*) *Prosthetics*

This pertains to veterans' complaints regarding receipt of prosthetic equipment and supplies.

(*16*) *Eyeglasses*

Veterans complained about improperly fitting lenses (too strong or weak) or improperly fitted frames, delays in obtaining prescriptions, eye examinations and denial of services.

(*17*) *Dental treatment*

This category reflects problems encountered in receiving dental care. Of specific interest here are the number of veterans who while hospitalized received dental care, however, upon discharge from hospitalization complained of the failure of the VA to complete the course of treatment.

(*18*) *Time lost from work*

(Self-explanatory)

(*19*) *Understaffed*

This category indicates the feeling of veterans that insufficient numbers of professional staff, i.e., trained doctors, nurses and technicians exist to fulfill the needs of the patient population.

(*20*) *Appearance of facilities*

Generally, the veterans felt that VA hospitals and outpatient areas were well kept; however, insufficient seating in most areas was a concern.

(*21*) *Parking problems*

(Self-explanatory)

(*22*) *Fee basis*

This category reflects the concern of many veterans that private physicians will not accept fee basis patients because the VA is extremely slow in providing payment to the provider and often refuses to pay for other services.

(*23*) *CHAMPVA*

Most veterans feel that payments are unreasonably delayed.

Mr. JOECKEL. On behalf of the membership of the Disabled American Veterans, I wish to thank you for giving us this opportunity to offer our comments on the Veterans Administration budget for 1979.

Comparing the VA budget with the total budget, over the past few years, the percentage of outlays attributable to the VA has steadily decreased from a high of 5.1 percent of total federal spending in 1975 to a low of 3.8 percent requested for Fiscal Year 1979.

The VA also proposes legislation that, if enacted into law, would result in a cost savings of approximately $245 million.

The DAV strongly opposes these legislative proposals to reduce veterans' benefits by nearly $245 million, and there is little reason to believe that most of these savings will be achieved. As the Congress has consistently rejected similar proposals in the past, we respectfully request that the Fiscal Year 1979 appropriation be increased by this amount.

Mr. Chairman, once again the VA's budget request calls for a decrease in the number of employees for the Department of Veterans Benefits. In 1977, DVG personnel declined by 243 employees, and it is projected that at the end of Fiscal Year 1978, the average employment in DVB will have declined by 741 employees, since the end of Fiscal Year 1976.

The Fiscal Year 1979 budget indicates an additional loss of 667 Department of Veterans Benefits personnel. This is based on an anticipated decline in the compensation, pension and education workloads and a reduction in the Vet Reps on Campus Program.

Quite frankly, Mr. Chairman, the DAV wonders how the VA can continue to deliver effective and efficient service, if this trend is allowed to continue. In this connection, I would like to point out that last year the VA underestimated the pension case load by 15,000 cases. We, therefore, believe that the $53.2 million decrease in the cost of the pension program estimated for FY 1979 is unrealistic.

The VA further anticipates a substantial decline in the education workloads in Fiscal Year 1979, primarily due to the expiration of entitlement for those veterans who were discharged from service more than ten years ago and due to the fact that many veterans have used their full educational entitlement or have completed their educational objective.

The DAV agrees that education workloads will continue to decline; however, I would like to point out that last year the VA overestimated by approximately 72,000 the decrease in the number of education trainees.

Accordingly, we ask the Committee's approval of full funding for the budget request for DVB and urge that the Fiscal Year 1978 employment level for the Department of Veterans Benefits be maintained.

In addition, in view of the poor record of the VA in estimations for readjustment benefits in the past, we are very pessimistic about the anticipated decline of $529 million in the expenditures. The DAV believes that these programs will continue to decline at approximately the same rate as in Fiscal Year 1978, and we respectfully request that the appropriation of readjustment benefits be increased accordingly.

Medical Programs. We note, Mr. Chairman, that the $5.3 billion budget request for medical care calls for an increase of approximately $350 million over appropriations for Fiscal Year 1978. This amount accounts for little more than a 6 percent inflation factor over funds necessary to maintain the existing level of medical care provided to veterans.

The DAV is deeply disturbed over budget reductions which strike at the very heart of the VA medical program. I refer to those budget cuts which will result in the loss of 3,132 operating beds, representing a monetary loss of $32.3 million, 64 vital research projects, loss of $18.3 million, and $237 million loss in programs for hospital construction.

Mr. Chairman, the DAV is adamantly opposed to the elimination of 3,132 medical, surgical, psychiatric and domicilary beds. This reduction, which equates to the loss of six 500-bed hospitals, brings the total number of VA Hospital beds that have been eliminated over the past ten years to 14,000.

The DAV has recently completed a survey of our membership on the level of care received at VA medical facilities throughout the country. Their response reveals a general sense of frustration with the quality and delivery of medical care in our VA Hospitals. We received 326 letters from disabled veterans over a three-month period.

These letters were categorized into 22 separately identifiable problems encountered by disabled veterans when seeking medical attention in VA facilities.

As indicated by the attached statistical breakdown, the major complaints center in excessive waiting times in hospitals and outpatient treatment facilities, improper attitudes or lack of sensitivity by either VA physicians or clerical personnel, unnecessary delays in the receipt of prescription medications, and lack of priority to the service-connected disabled veteran as required by law.

Most significant, however, is the fact that there were 44 complaints that veterans seeking hospitalization or outpaient treatment were refused such services,—a number of these veterans were soon forced to receive medical treatment from private physicians or hospitals.

While the results of this survey compare favorably with those of a similar survey we conducted two years, they confirm the existence of problems associated with continuing medical budgetary cutbacks, extremely low staff-to-patient ratios, and the large turnover in physicians and professionals staff that have taken place over the past several years.

If these 3100 beds are eliminated and the Administration is allowed to implement its plan to cut back an additional 2100 beds in Fiscal Year 1980, we are certain that it will have an adverse effect on the quality of care provided to our nation's veterans.

In addition, we have noted that the Fiscal Year 1979 budget request includes funding for an additional 1100 employees in the Department of Medicine and Surgery.

Paradoxically, the VA proposes to reduce the number of medical employees by .6 for each bed of the 3100 stated for elimination.

The justification for the VA cutback in beds rests upon the contention that more veterans will be treated over a shorter period of time. The corresponding loss of 1500 employees as a result of the elimination patient ratios, and we wonder just how long the VA can continue to of 3100 beds provides essentially no change in the current staff-to-patient ratios, and we wonder just how long the VA can continue to treat more and more veterans with current staffing ratios and fewer beds?

As you know, it is well-established fact that the research and training programs in our VA Hospitals have resulted in the attraction and retention of qualified medical personnel. Through its medical research programs the VA has been able to attract highly qualified professionals and one-half of all physicians graduating from U.S. medical schools receive some of their training in VA Hospitals. In addition, VA's research program has been world-renowned and provided medical breakthroughs that have been beneficial to all Americans.

However, over the last four years, all VA research projects have realized a 20 percent reduction in funding and biomedical research alone has suffered a 40 percent cutback since 1975.

The DAV is vitally concerned that the declining quality of VA medical research programs will significantly inhibit efforts to attract the most talented doctors and other health care professionals into the VA health care system—particularly, when VA's salaries are not competitive.

Without the incentive of high salaries, the VA can only offer opportunities for rewarding research and, as this incentive declines, VA's ability to attract and retain younger physicians will correspondingly decline.

I would like to at this point submit for the record a letter that we have received from the physicians at the Washington, D.C., VA Hospital, petitioning for increased funding for the research program. It is signed by all the doctors.

Mr. BOLAND. We will include it in the record at this point.

[The document follows:]

April 11, 1978

Paul Schafer, M.D.
President
Assembly of Physicians and Dentists
510 Margaret Drive
Silver Spring, Maryland 20910

Dear Dr. Schafer:

Thanks very much for forwarding the statement signed by nearly every member of the professional staff at the VA Hospital, Washington, D.C. concerning the budgetary cuts in VA research and its catastrophic effects on the care of patients.

The Disabled American Veterans agrees with your conclusion and I want you to know that we are doing everything possible, including a concerted effort on a National basis, to have the Congress restore the funds necessary to provide quality care to this Nation's disabled veterans. I appreciate your forwarding the detailed information and the statement signed by staff members which support our efforts.

Sincerely,

DENVEL D. ADAMS
National Adjutant

DDA:mls
cc: National Service Director Hartnett
Deputy National Director of Legislation Heilman
Assistant National Adjutant Wilson
Mr. Mack Fleming, HVAC
Mr. Jonathan Steinberg, SVAC

ASSEMBLY OF PHYSICIANS AND DENTISTS (APD)

Veterans Administration Hospital
Washington, D.C.

March 24, 1978

Denvel A. Adams, National Director
Disabled American Veterans
807 Maine Avenue, S.W.
Washington, D.C.

Dear Mr. Adams:

We are enclosing a statement signed by nearly every member of our professional staff expressing our alarm concerning the budgetary cuts in VA research and its catastrophic effects on the care of our patients.

Sincerely,

Paul Schafer, M.D., President

Herman Segal, M.D., Vice President

Omega A. Silva, M.D., Secretary

R. James Hawley, M.D., Treasurer

Council:

Perry Banda, M.D.

Halley Taylor, M.D.

William Jennings, D.D.S.

Cullen Ward, D.D.S.

Ralph Lingeman, M.D.

Robert Saunders, M.D.

Mailing Address: 510 Margaret Drive
Silver Spring, MD 20910

We, the 128 undersigned physicians and dentists of the Washington, D.C. Veterans Administration Hospital, are greatly alarmed by the catastrophic fiscal year 1979 budget cut which will abolish all research in over one-third of VA hospitals throughout the country and which will gravely curtail research in the remaining two-thirds. Failure to increase the VA research budget according to the cost-of-living increases over the past four years, plus the severe cut which has been planned this year threatens to destroy the entire VA hospital system.

VA research accomplishments have been of enormous practical benefit to our sick and wounded veterans and to all Americans in the fields of cancer, hypertension, infectious disease, spinal cord injuries, prosthetics, sickle cell anemia, psychopharmacology, endocrinology, and innumerable other fields. Two Nobel prizes in medicine were awarded this year to VA researchers! The research activities of VA physicians and paramedical personnel directly and indirectly provide vital patient-care to thousands of sick veterans. The VA research career development program which is also being drastically cut back has trained many bright young investigators who have remained in the VA system to provide quality care for the veteran.

The high caliber of VA research has been the main attraction for the recruitment of well-trained physicians who wish to participate and work in a stimulating environment where modern, innovative, and imaginative medicine can be practiced. Failure to provide the same salary and benefits to VA doctors as are received by most federal doctors has dissuaded young doctors from making their career in the VA; the elimination of VA research would be the final blow.

The abolition or drastic curtailment of research will rapidly convert VA hospitals into domiciliaries, nursing homes, and second-rate custodial institutions; VA hospitals would become a wasteland. Hundreds of irreplaceable technicians would be fired. Hundreds of academically-oriented doctors would resign, and most of the remaining physicians would be those unable to find positions elsewhere. No University would wish to continue its association with such hospitals. Bottom of the barrel medical care would be a cruel tragedy for our patients, the sick and wounded American veterans who have fought for our country and for all Americans.

VA research must be saved in order to save quality VA medicine. Human lives are at stake. The VA research budget must immediately be restored by $25 million.

SAVE VA RESEARCH

SAVE VA RESEARCH

Mr. JOECKEL. Also, I have a letter from the Chief of Staff of the White River Junction VA Hospital regarding the cutback in medical research.

Mr. BOLAND. It will be included in the record at this point.

[The document referred to follows:]

DISABLED AMERICAN VETERANS

V. A. CENTER
WHITE RIVER JUNCTION, VERMONT 05001

Feb 1, 1978

Mr. Norman B. Hartnett
National Service Director
Disabled American Veterans
National Service Headquarters
807 Maine Ave., S.W.
Washington, D.C. 20024

Dear Mr. Hartnett,

Please find enclosed a letter outlining the research budget problems within the VA system and particularly the problems at VA Center White River Jct., (405) Vermont.

A survey of all research programs funded less than $500,000 will be made with targeted phase out of a number of these to be accomplished by the FY 79 budget, if the President's budget prevails.

Fifty-five hospitals have been notified of intended survey and ten have relinquished their desire to continue research programs in FY 79.

Dr. Howard Green, Chief of Staff of this Center indicates that if research is unfunded at White River Jct., the following will be a certainty:

1. Five staff physicians will seek re-employment elsewhere.
2. The health care delivery will suffer a disastrous blow from which it will not be able to recover because recruiting of quality staff physicians would be impossible. Top quality physicians will not enter a system which denys them access to the latest developments in health care.
3. Dartmouth Medical School will be faced with closure because of VA not being up to the standards demanded for quality in the education of physicians.

This is a travesty that is perpetrated upon the veteran, reducing health care to a class system where small hospitals do not give 1st class care, all for the sake of $5.5 million.

It is suggested that White River Jct., Vt. be surveyed by the DAV to gather the full impact of the situation and prevent such an occurance as outlined.

Your assistance in this matter is greatfully appreciated.

Sincerely yours,

Michael A. Corcoran
National Service Officer

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I am writing to you to express a major concern of the Dartmouth Medical School. It is our understanding that the President's recommendation to Congress will result in a decrement in 821 VA Research funds for FY 79. In order to recover 5½ million dollars, the decision has been made by Veterans Administration Central Office to close outright a number of VA Research programs. Approximately 55 site visits were originally scheduled. Ten hospitals indicated that they did not wish to have a site visit and have agreed to close their research programs; therefore, there are 45 programs undergoing review with a view to choosing which additional programs will be closed. Virtually all programs being surveyed have annual Research budgets of less than $500,000. This is of particular interest to the Dartmouth Medical School because the White River Jct. Veterans Administration Hospital falls in this category and is scheduled for a site visit on February 6.

The process, as I understand it, will be that the site visitors will meet in VA Central Office and a decision will be made on February 22 and 23 on which programs to target for closure. Shortly after, the hospitals will be so notified. It is the strong opinion of Dartmouth Medical School that the policy and process is fundamentally wrong and inequitable.

The logic of such an administrative maneuver is seriously flawed if my perceptions on the purposes of the VA research program are correct. That is to say the VA research program exists to enhance, complement and strengthen the clinical program. To quote from Dr. Rosalyn Yallow, Ph.D., from the January 19 issue of Public Opinion Digest:

a. "Better medicine is practiced in an atmosphere in which even a physician who is not doing investigation is continuing to learn what is new, and is challenged by his or her exposure to those who are constantly updating medical knowledge; and'

b. "The existence of an academically oriented and intellectually stimulating atmosphere is the only way to recruit and maintain bright, young, well-trained physicians -- those who improve medical practice by their research and who simultaneously deliver good medical care to VA patients."

In short, the Veterans Administration will deny access to VA Research funds to physicians recruited to some VA hospitals, both affiliated and nonaffiliated, regardless of merit. This particular stance with reference to affiliated programs has implications to recruitment of physicians and the quality of care which are staggering. We are told that the VA is "willing" to find positions for investigators from hospitals whose programs are closed in those hospitals whose programs remain open. I cannot envision any process which if purposely devised could be more destructive to the overall level of care in the system. It creates another tier of care and opportunity in a system of care which already has at least two tiers.

The decision to target those programs of less than $500,000 in funding (with a few exceptions) for site review seems to me flawed in view of the overall philosophy of the purposes of VA Research. I will concede that if one takes the isolated indicator of the number of papers published per dollar allocated that those programs with smaller budgets might show lesser productivity.

Would it not be more logical to deal with the issue of merit and to recoup funds by restricting funding to those protocols with a higher degree of merit?

From our point of view, the closure of the Research program at the VA Hospital, White River Jct., would be extremely detrimental to the clinical care program of that hospital. We already have indication that if the program is closed or even notified about closure, even though in the end it is not closed, a number of current staff will seek reemployment elsewhere. Crucial recruiting now underway for a Chief of Surgery, a Chief of Psychiatry, a staff pathologist, a dermatologist, and two physicians already recruited, will in essence be completely demolished. In addition, because of the inevitable results of loss of staff and inability to recruit back even close to comparable individuals, the program of the Dartmouth Medical School which is crucially dependent on the quality and size of the care programs at White River Jct. VA would be seriously threatened. Dartmouth Medical School cannot afford to let this happen nor can it afford to have the White River Jct. VA Hospital notified of potential closure. Staff morale is crucial here and the method chosen could not be more destructive. Since the President's budget is a recommendation, the Congress must have its say.

With specific regard to the Research program at White River, with which I am very closely familiar, let me review for you a few facts. The affiliation between the White River Jct. VA Hospital and the Dartmouth Medical School began in 1946. Dartmouth Medical School, at the time, was a two-year school sending most of its graduates to the Harvard Medical School for completion of the M.D. degree. There were no clinical programs for students at Dartmouth Medical School at the time but house staff programs were fostered and developed between Mary Hitchcock Memorial Hospital and the Veterans Administration Hospital. From that early time there has been a small research program which has had variable research productivity.

In 1972 the Dean's Committee of the Dartmouth Medical School submitted a plan for the creation of research space to the Director of the White River Jct. VA Hospital and he transmitted this to the VA Central Office on September 8 of that year. The Dartmouth Medical School had developed a full M.D.-granting curriculum. The White River Jct. VA Hospital was not at the time a particularly suitable teaching environment and the patient care program was not up to university standards. A new bed building was under construction and was to be completed in June of 1974. The old hospital building was to be converted to other uses, particularly support space. We felt that it was in the interests of the VA Hospital to create research space which in the past had been in Quonset huts (and still is) so that first-rate patient care physicians could be recruited.

It was suggested to the Chief Medical Director, Dr. Marc J. Musser, through Mr. Yasinski, the Hospital Director, that this research space occupy the third floor of the old patient care building.

At about the same time (May of 1973), Dr. Howard Green, the current Chief of Staff, agreed to become Chief of Staff of the institution. He was given the mandate by the Hospital Director and the Dean's Committee to bring the White River Jct. VA Hospital up to clinical standards and to recruit the quality of staff who would be acceptable for clinical care and for the teaching of medical students and house staff. Dr. Green wrote a proposal, a Research site visit was held, and funds to the extent of about 200,000 dollars were allocated to the institution to upgrade common equipment, to build a couple of new laboratories in existing Quonsets and an animal quarters in order to attract at least a few physician investigators. At the time, Dr. Leo Zacharski was already at the institution as a Research Associate and later competed successfully for a clinical investigatorship which he held for four years. He was approved but not funded for medical investigatorship status last year.

Dr. Green intended the proposal which he developed to be an interim measure until such time research space in greater quantity could be planned into the renovation of the previous hospital building. The Chief Medical Director, Dr. Musser, by a direct decision precluded use of the proposed space for research purposes. It was his feeling the White River Jct. VA Hospital was so far below space standards for support services that these services represented the first priority. It was an entirely logical and appropriate decision with which Dr. Green and the Hospital Director agreed. There was no other potentially available space which could be allocated to Research programs at that time.

In short, a decision by the Chief Medical Director immediately prejudiced the process of developing a strong research program at the White River Jct. VA Hospital. The hospital, since it had so little space to offer was forced to change its recruitment efforts and aim them at a slightly different type of staff and to limit its recruitment for physicians with research potential to those people it thought had the highest potential. Several such people were recruited, including Dr. Herbert Bonkowsky, Dr. Barry Levin (who has subsequently moved to the East Orange VA Hospital) and Dr. Matthew Friedman. Dr. Green saw an immediate need to try to recruit an Associate Chief of Staff for Research with legitimate and extensive scientific credentials. You know the saga of the recruitment of Dr. Ian Bush and the roadblocks the Civial Service Commission threw in the way of that appointment. It took well over a year and a half to finish the recruitment. In the meantime, recruiting for staff positions to meet the desperate clinical needs of the institution was carried out and, quite frankly, was carried out at a very good level, but only because research potential existed.

The clinical staffing of the institution, while not optimal because of underfunding of the VA Hospital, is considerably better than it was five years ago. It was the plan of the Hospital Director, the Chief of

Staff, and the Dean's Committee to now plan for enhanced research space so that we could attract a greater percentage of physician investigators to the staff (It certainly is not our intent to recommend to the Hospital Director that everyone at the White River Jct. VA Hospital should be doing research. This would be totally unrealistic and would not be in the best interests of the patient care program). Because of this planning, Mr. Yasinski put into the five-year plan a Research and Education building for Fiscal Year 80 and this was approved. This plan quite recently has been sent to him with a brief notation indicating that it was not in the system priorities and therefore the building is not now planned in VA budgeting for the FY 80 cycle. Once again, the institution is placed in a "Catch-22." In short, "In order for you to stay open we expect you to have a respectable research program which will meet all of the standards of those hospitals who are blessed with far greater resources and ability to recruit researchers. On the other hand, we will not give you the wherewithal to recruit those individuals who could develop the Research program."

Since the result of notification of targeting for closure would do irreparable damage in the short and long term to the clinical care program at the White River Jct. VA Hospital and would do irreparable damage to Dartmouth Medical School in terms of its ability to survive, we would request and urge that the procedure being used be halted and that no decisions be made until the Congress has had an opportunity to review and deal with the President's budget. We further urge that the issue of changing the threshold on merit be considered as an alternate solution. We feel strongly enough about this particular point and about potential closure of the Research program at White River that we must take those steps within our power not only to prevent the process in view of its inherent weaknesses and inequities, but to prevent closure of the White River Jct. VA research program. We must and will present to our Congressional representatives, Senators Stafford, Leahy, McIntyre, Durkin, and Representatives Cleveland and Jeffords, our position.

Please call me if you have any questions or comments.

Mr. JOECKEL. Thank you.

Construction Programs. The DAV is disappointed that the budget authority for the Construction Program is $71 million below the Fiscal Year 1978 level. We are deeply disturbed that funding is not included for 36 major construction projects and that the Administration request calls for a 67 percent decrease in grants for construction of State Extended Care Facilities.

Mr. Chairman, I would like to call your attention to the recently completed report by the National Academy of Sciences entitled, "Health Care for American's Veterans."

In Chapter 4 of the NAS study, the Academy notes that several VA Hospitals, particularly former military facilities, have basic design defects that cannot be eliminated."

We concur in this NAS assessment, and we strongly believe that the VA's ability to provide high quality health care is contingent upon its professional staff and the quality of its medical facilities.

Accordingly, Mr. Chairman, the DAV supports full funding of VA's Fiscal Year 1979 budget for its Medical Care, Medical and Prosthetic Research, and Construction Programs.

In addition, we respectfully request that you restore the following sums in order to ensure that the quality of VA medical care remains second to none:

$32 million to maintain the existing number of VA Hospital beds;

$18.5 million for Medical and Prosthetic Research;

$237 million for Construction, Major Projects; and

$34 million for Construction, Minor Projects.

As we see it, Mr. Chairman, the VA budget request for Fiscal Year 1979 falls short of providing the necessary fund to meet its current program. Considering these shortfalls and the new initiatives the Congress is likely to enact this year, we believe that the Administration's budget request should be increased by approximately $2.5 billion.

In conclusion, the Disabled American Veterans strongly supports full funding for the Veterans Administration Fiscal Year 1979 budget request with the additions recommended in this presentation.

This concludes my statement, Mr. Chairman, and I wish to again thank you for giving us this opportunity to appear here today.

Mr. BOLAND. Thank you very much, Mr. Joeckel. I only have one comment. That's the comment that's been noted in all of the three statements. That's the percentage of outlays attributable to the VA has steadily decreased from 5.1 percent to 3.8 percent. Actually, most of that decrease has been due to the Readjustment Benefits Account, where in 1978 it was funded at $5.4 billion and in 1979 it is only budgeted for $2.2 billion. That would be a natural decrease, of course, that would be a decrease that would come automatically, because the number of veterans in the Readjustment Benefit Program has fallen off considerably.

Mr. JOECKEL. I agree with that.

Mr. BOLAND. In other areas, I am impressed by your statement with respect to the Budget itself.

We appreciate the position of the DAV.

Larry?

Mr. COUGHLIN. Thank you very much, Mr. Chairman.

I would just like to comment on the response to your Service Comments article in November of 1977. Certainly, from my experiences in

visiting with Veterans Hospitals in the Philadelphia area, they mirror the kind of complaints that were received about treatment in those hospitals. I think it is a very interesting and useful kind of study to have made.

I congratulate you for doing that.

Mr. JOECKEL. Thank you, Mr. Coughlin.

I would like to point out, too, that we did the survey primarily because we do receive so many letters. We just put the article in the magazine, in order to get more input over a short period of time. It would be impossible to take all the letters we received on the subject and put them together. That's why we did the survey.

Mr. COUGHLIN. Very well done.

Mr. BOLAND. Thank you again, Director Joeckel.

SELECTIVE SERVICE SYSTEM

WITNESS

JOHN P. SHEFFEY, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

We now move to Mr. John P. Sheffey, Executive Vice President, National Association for Uniformed Services.

Thank you for your presence. We appreciate it.

Mr. SHEFFEY. I have a short statement, Mr. Chairman. If you don't mind, I will just read it.

Mr. BOLAND. Go ahead.

Mr. SHEFFEY. Mr. Chairman, members of the Subcommittee, I am John P. Sheffey, Executive Vice President of the National Association for Uniformed Services (NAUS). Our membership includes active and retired veteran personnel of all grades of the seven uniformed services, the Reserve, the National Guard, and their wives and widows. We are dedicated to a national defense second to none.

We thank you for the opportunity to discuss the Selective Service System, a subject of vital importance to our national defense.

While the country debates whether the all volunteer force is working, one fact should be apparent. If the Warsaw Pact forces move west, if the Communists start new adventures threatening our Middle East petroleum sources, or if we stumble into armed conflict anywhere, the United States will not now be able to draft its first soldier for the first 110 days of the conflict. The first draftee will not be ready for the battle until seven months have passed.

With the termination of the draft, our Reserve forces, particularly the Individual Ready Reserve, have deteriorated to the point that they can no longer effectively perform their roles.

While we watch our reserves melt away, the Russians grow stronger. Does anyone in this room doubt their ability to push the NATO forces to the Atlantic by sustained conventional attack if we could neither reinforce nor take the suicidal risk of initiating nuclear war?

Most of the members of NAUS have served in our country's armed forces through several military crises. I started in WW II and served through the Berlin crisis, the Korean War, the Suez crisis, the Cuban

crisis, and the war in Vietnam. The threats to our interests in all were invited by our lack of preparedness. Our enemies thought we were either too weak to react or incapable of reacting quickly enough to avoid defeat.

NAUS represents both those who in the past have had to hold with inadequate forces while the United States mobilized and the active forces that are faced with having to do it again. We beg you to leave our potential enemies no room for doubt as to our strength.

I will not waste your time repeating the detailed arguments for strengthening the Selective Service System. You have heard them all many times. The $9.5 million requested for this purpose is a small portion of what is really needed, but it will fund an important step that must be taken if we are ever to attain a credible defense posture for our conventional forces.

NAUS accepts that the national political climate is not ready for a return to conscription. We believe that a Standby Selective Service System that includes registration is the minimum draft readiness that should be accepted by the Department of Defense.

However, we are aware that mobilization exercises are planned for this fall that will include testing of the capability of the Selective Service System to deliver 100,000 selectees within 60 days after mobilization without registration.

The wisest and most skillful use of a nation's armed forces can accomplish national goals without bloodshed and destruction. Proper deployment of strong forces backed by arrangements to maintain their strength if attacked makes attack unlikely. United States military weakness invited all the military threats to our nation's interests from WW I through today. Strengthening the Selective Service System is a small step toward the strength we must have. I urge you to approve the funds requested for that purpose.

Again, I thank you for the opportunity to appear here today.

Mr. BOLAND. Thank you very much, Mr. Sheffey.

Are you familiar with the workings of the Selective Service System now?

Mr. SHEFFEY. Yes, sir, generally. I realize that they are improving their capabilities and have new plans afoot right now.

Mr. BOLAND. NAUS, I presume, has some knowledge of what the Reserve Officers do that are assigned to this task, does it not?

Mr. SHEFFEY. Yes. We work very closely with the Reserve Officers Association.

Mr. BOLAND. We had testimony this morning that said they don't do anything. What do they do?

Mr. SHEFFEY. It varies a great deal among units and individuals. I think some are extremely effective and some are not.

Mr. BOLAND. That doesn't tell us what they are doing, though.

Mr. SHEFFEY. Well, sir, they train in their summer training. They keep up with schools. In general, they have done a fine job in the past.

Mr. BOLAND. I am talking about the Reserve Officers that are actually assigned to the Selective Service System.

Mr. SHEFFEY. Sir, I am not an expert on that.

Mr. BOLAND. Larry?

Mr. COUGHLIN. No questions, Mr. Chairman.

Mr. BOLAND. Thank you, Mr. Sheffey, for a spirited and fine statement.

Mr. SHEFFEY. Thank you.

May I leave this? Mr. Tarr did an editorial for us in our last journal. Mr. Tarr was the former director. The cartoon is a little unkind. It is better than nothing.

Mr. BOLAND. We will put the editorial from the USJ, which was apparently written by Dr. Curtis Tarr in the record at this point along with your statement.

[The statement follows:]

STATEMENT OF JOHN P. SHEFFEY

Mr. Chairman and members of the subcommittee, I am John P. Sheffey, Executive Vice President of the National Association for Uniformed Services (NAUS). Our membership includes active and retired personnel of all grades of the seven uniformed services, the Reserve, the National Guard, and their wives and widows. We are dedicated to a National Defense second to none.

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Again, I thank you for the opportunity to appear here today.

WITNESS

DR. HERBERT G. ROSE, PRESIDENT, NATIONAL ASSOCIATION OF VA PHYSICIANS

Mr. Boland. We turn now to Dr. Herbert G. Rose, President of the National Association of VA Physicians.

Dr. Rose. Thank you.

Mr. Boland. Are you actually employed in one of the VA Hospitals?

Dr. Rose. I am Associate Chief of Staff at the Bronx VA Hospital. I am an endocrinologist and I specialize in diabetes.

Mr. Boland. We are delighted to have you.

This issue has raised some problems with a number of people within the VA system and outside of the VA system. We are delighted to have your opinion on it.

Dr. Rose. Thank you.

Mr. Chairman, I am Dr. Herbert G. Rose, President of the National Association of VA Physicians, and Associate Chief of Staff for Medical Research, VA Hospital, Bronx, New York.

Since our organization has not appeared before this Committee in the past, I might take a moment to explain that VA staff physicians formed a professional association in 1975 to work for improvements in our professional environment and for better medical care for our patients.

We have taken stands on many issues, including a permanent pay system for doctors, continuing medical education, the physician's role in functioning of hospitals, alcohol and drug rehabilitation programs, psychological counseling for Vietnam Era veterans, university affiliations, due process protection for physicians and, most recently, projected cutbacks in VA Hospital budgets for FY 1979.

Although newly formed, our organization has grown rapidly, with members or chapters at 122 VA Hospitals.

For the first time, an Association of VA Physicians has been addressing the Congress, news media, veteran groups, and medical profession on the issues of VA medical care.

Speaking for myself and my colleagues, we appreciate this opportunity you have kindly provided to express our views here today.

VA physicians were distressed by the severity of the proposed cutbacks announced in the Administration's 1979 hospital budget. A much-needed hospital at Camden, New Jersey was deleted, along with 3200 hospital beds, and many construction items.

Bed cuts entail loss of 1700 employees, which will seriously impair our ability to deliver high-quality medical care and service. VA staffing is already thin, and we are unable to provide acceptable service in crowded outpatient clinics.

Frankly, we were dismayed at the decision to terminate medical research at nine hospitals and schedule 55 others for possible termination.

To our knowledge, such an extreme action has never occurred since formation of the VA Research Service in 1955.

It is our understanding that the VA Research Advisory Committee was not consulted in this decision, foreclosing any possibility of find-

ing alternative means to minimize damage necessitated by a shortage of $6 million.

To us, the Administration's plan guarantees maximum damage to a $5 billion hospital system by removing a small amount of money.

Physicians know what will result. In addition to loss of jobs, closing of valuable laboratories, hampering efforts to find better means of alleviating disease, we know that recruitment and retention of career staff physicians would be crippled.

VA is already in a very weak competitive position in physician recruitment because of non-competitive salary and benefits.

This is manifested by an inability to recruit and retain full-time physicians, an all-time high in proportion of part-time doctors—37 percent—an over-aged staff, and shortages of physicians trained in certain specialties.

Furthermore, the Administration has failed to develop a permanent salary structure for career physicians, and seems content to renew temporary bonus legislation. Physicians find this situation an unsatisfactory basis upon which to plan a career.

About 1,700 VA physicians participate in research projects. Terminating these programs will remove a professional activity which partially compensates for poor salary.

These cutbacks were also interpreted by us to be a message to affiliated medical schools, telling them to start looking elsewhere for their educational needs.

Many VA doctors participate in training of medical students, interns, residents, and allied health personnel. Should university affiliations collapse, the VA becomes a far less attractive career.

In trying to understand the rationale justifying the cutbacks, we considered the possilbe explanations:

(1) VA medical research is considered to be of such poor quality that it should be terminated.

This explanation flies in face of the facts. The VA Program was evaluated by the National Research Council in 1977. They concluded "The Committee unanimously and enthusiastically supports the independent funding in the VA of an intramural research program" and again "most investigators funded through institutional programs were carrying out research that was of acceptable quality or better."

The high quality of VA research was recently acknowledged by the awarding of two Nobel Prizes in medicine to VA scientists, Dr. Rosalyn Yalow and Dr. Andrew Schally.

Dr. Yalow is at the same hospital that I am at.

A second explanation in research is not needed in hospitals, but should be left to medical schools, universities, and research institutes.

This would be contrary to PL 85–857, which mandates a medical research program in VA Hospitals.

Also, the National Research Council endorsed a separate program stating that the VA offered unique opportunities for research, that research fosters an environment conducive to professional excellence in medical care, and that a VA program was desirable in order to maintain a pluralistic system preventing any single agency from monopolizing the nature and direction of research.

(3) Another possible interpretation is that economic constraints and shifting priorities require concentrating on targeted areas such as

alcohol and drug studies, health care delivery and rehabilitation medicine.

The "non-targeted" programs, which are to be sacrificed, are individually conceived research programs involving 1700 staff physicians and investigators and VA's Career Development Program.

These programs, nearly all of which are now reviewed for merit by peer review committees, are vital to VA physician recruitment and have, by far, the greatest impact on the quality of care delivered to our patients.

Those familiar with VA Hospitals know that without these programs, staff physicians will leave, affiliated medical schools will leave, and an already weakened hospital system will begin the long slide back to the low-level custodial care that was provided veterans prior to World War II.

With your permission, I would like to introduce three statements for the record on these points. One is from Dr. Robert Ohler, former Chief of Staff of the VA Hospital, Togus, Maine, a statement on the importance of research in the non-affiliated VA Hospitals.

Dr. Ohler was Chief of Staff at that hospital for 27 years.

Two statements from the deans of medical schools, Dean G. F. Reed from the State University of New York at Syracuse, and from Dean Kuschner of the State University of New York at Stony Brook.

Both of these schools have affiliated schools. Both these deans in their statements indicate a desire to withdraw their affiliation with the VA should the research cuts be initiated.

Mr. BOLAND. They will be included in the record at this point.

[The documents referred to follow:]

HEALTH SCIENCES CENTER,
Stony Brook, N.Y., January 31, 1978.

DR. THOMAS F. NEWCOMB,
ACMD for Research and Development, Veterans' Administration Central Office, Washington D.C.

DEAR DR. NEWCOMB: It was with considerable dismay that we learned of the possibility that the research program at the Northport V.A. Hospital might be retrenched.

When the Stony Brook School of Medicine was activated in 1970, we began an association with the Hospital which has been as close as any could be. The Hospital has been, in essence, our university hospital. We have stated and restated our unambiguous intention of completely integrating the Veterans Administration Hospital with the University Hospital when the latter is completed. Now as we are in this start-up position we find the opportunity to do this threatened by the loss of research support. The research program at the Veterans Hospitals has just begun to blossom. Because of the shortage of research space at the Hospital, some of the work is being carried out at our Health Sciences Center. Conversely some of our faculty members assigned to the VA Hospital as Attending Physicians WOC have bought their NIH supported grants to the Veterans Hospital.

The discontinuance of a research program at the VA Hospital would encourage the concept of two levels of faculty with those stationed at the University Hospital being first class and those at the VA being second class. This is unacceptable to us and we feel it threatens the viability of our association with the VA Hospital.

Should the research program be eliminated, it is my intention to instruct our clinical chairman to plan an orderly withdrawal from the Hospital over the next two years.

I would certainly hope this will not be necessary and that the evaluation of the program in its more recent developed state will demonstrate its increasingly high caliber.

Sincerely,

MARVIN KUSCHNER, M.D.,
Dean, School of Medicine.

STATE UNIVERSITY OF NEW YORK,
Syracuse, N.Y., January 31, 1978.

THEODORE L. GOODFRIEND, M.D.,
Veterans' Administration Hospital,
Madison, Wis.

DEAR DOCTOR GOODFRIEND: This letter is to reiterate my thoughts and opinions relative to potential discontinuance of VA research funds expressed to you and Dr. Davis at this morning's meeting. I feel strongly that, if this Veterans Administration Hospital were to have its direct VA research funding suspended, this would have a disastrous effect on the quality of care at the Veterans Administration Hospital and on our present very valuable affiliation as part of the Upstate Medical Center.

As I had indicated, we here at the Medical Center are in a somewhat unique position of a very strong affiliation, where we look upon the Veterans Administration Hospital not so much as an affiliation but as a real integral part of the Medical Center. As a result of this philosophy, we expect the quality of patient care at the Veterans Administration Hospital to be the same as that achieved in our University Hospital. Likewise, we insist upon the same standards of excellence for our faculty who are located at the Veterans Administration Hospital as for those headquartered elsewhere in the Medical Center. As a result, the VA faculty-attending staff are required to show participation in the scholarly pursuits in order to qualify for appointment and promotion in our faculty. Removal of VA basic research funding would result in a loss of the research milieu in which the required investigative and scholarly pursuits could be pursued. In this atmosphere, I am sure that most of our excellent VA faculty members would leave and we would be unable to recruit new staff of comparable quality to the faculty at the University Hospital.

Under these circumstances, there is no doubt that the quality of the VA attending staff would rapidly diminish and, along with it, the quality of clinical care for the veteran patients. If this were to come about, I can assure you that our institution would not be interested in any significant involvement with an institution of poor quality, and I am afraid that our present affiliation, presently so beneficial to both the Veterans Administration and the Medical Center, would quickly deteriorate to one of on no significant importance.

In view of the quality and productivity of research at the Syracuse Veterans Administration Hospital, I am at a loss to understand how this facility could be included in the list of those who might lose base VA research funding. Nonetheless, I feel that I must honestly and frankly inform you of the extremely serious impact that this action would have on our affiliation and, thereby, in the quality of care provided the patients in our Veterans Administration Hospital.

Sincerely,

G. F. REED, M.D.,
Dean, College of Medicine,
Executive Vice President, The Medical Center.

STATEMENT BY ROBERT L. OHLER, M.D., ON IMPORTANCE OF MEDICAL RESEARCH IN THE NONAFFILIATED VA HOSPITALS

In 1947, two far-seeing medical leaders, Drs. Magnuson and Cushing, initiated the VA Medical Research Program. They considered research "an essential element in providing the Veteran patient with the best possible medical care." Stated aims were: (1) "to attract and retain qualified personnel through conduct of research within VA hospitals." (2) "to permit full-time staff personnel to improve their professional proficiency through providing them with opportunities to study and to carry on medical research in VA hospitals." (3) "to develop new and improved methods of diagnosis and treatment of importance in the care of Veteran patients."

They further considered that opportunities to engage in research must be provided full-time personnel if it is to attract outstanding personnel in necessary numbers.

As Chief of Medicine and Chief of Staff of a non-affiliated VA hospital from 1950 to 1977 I have observed the effect of this policy on recruitment of outstanding physicians and the development of excellence in patient care with the result that the Togus VA Hospital is widely known as an institution of the highest quality. I am convinced that abolishing research in non-affiliated hospitals will

inevitably result in serious deterioration of patient care through its effect on staff morale, recruitment and retention. I believe this policy to be disasterous to the VA system as a whole.

Dr. Rose. We do not believe that anyone wishes to single out veterans for consignment to a dumping ground for old soldiers, particularly at a time when legislation is under study to guarantee all citizens to decent care. Therefore, we concluded that a fourth explanation is most probably correct:

(4) Namely that the unsolicited recommendations of the National Academy of Sciences Committee on VA Health Resources to phase VA medical care into the community as part of a National Health Insurance Plan, are the basis for the proposed budget allocations.

The National Academy of Sciences' recommendations, however, were seriously flawed by lack of necessary supporting data, particularly regarding costs of providing care for the VA patient population of nearly 3 million, most of whom lack the means to pay for the care they need.

VA Hospitals, controlled by the Congress, have contained costs very well. So well, in fact, that we believe the quality of medical care has been jeopardized.

In contrast, the cost of medical care in community hospitals is higher than in the VA, and is skyrocketing out of control.

I would like to conclude my remarks by stating that we view the research cutbacks as highly destructive, not only of an excellent Medical Research Program, but of the hospital system itself.

We are not aware that a decision has been reached by the Congress to establish a National Health Insurance Plan, or that the VA Hospitals will be phased out as part of such a plan.

We are not aware that a decision has been reached to contravene the intent and mandate of prior legislation, particularly PL 85–857, which states that the mission of the Department of Medicine and Surgery is to provide the best medical care for eligible veterans.

The 172 VA Hospitals are a national resource that should not be disposed of lightly. Therefore, we urge restitution of the funds deleted in the Administration's proposal, and addition of sufficient funds to revitalize the Medical Research Service.

To this end, we have endorsed the recommendations of House and Senate Veteran Affairs Committees.

Thank you.

Mr. Boland. Thank you very much, Dr. Rose, for a detailed paper on the VA medical research. We are delighted to have you with us.

Larry?

Mr. Coughlin. Doctor, I would just ask you: can you give me any specifics on the difficulty the VA is having recruiting physicians?

Dr. Rose. Yes. The VA went through a crisis in 1975 which was because of a Congressionally-mandated ceiling. Physicians were leaving the VA. They are unable to recruit. The average age of VA doctors, then, as now, was five years older than the rest of the population.

The proportion of foreign medical graduates was 50 percent higher than in the rest of the country.

All this resulted in a crisis of recruitment.

Out of that, Congress passed temporary bonus legislation which partially ameliorated the problem. It was only an incomplete solution.

We pointed out in testimony before the Senate VA Committee that the VA's successes in recruiting since the bonus bill have been recruitment from the bottom of the barrel.

They recruited a record number of physicians who were not trained in U.S. medical schools. Part of this recruitment was simply the result of growth of the system.

The bonus bill has not been a complete answer to the problem of physician recruitment.

I can tell you from my own experience that VA Hospitals have particular troubles in recruitment, particularly in isolated areas, are not in good shape as far as the quality of medical care, that they have to hire doctors wherever they can find the physician.

They are isolated from the rest of the medical community; and the National Academy found that something like one-quarter of VA Hospitals medical care is inadequate.

This reflects a poor ability to recruit physicians.

We believe that the quality of medical care is very closely tied to the kind of physicians that are hired.

Another demonstration is the Brooklyn VA Hospital. We surveyed New York VA Hospitals in a 1975 questionnaire. One of the questions we asked for background information was the average age of doctors. All the New York VA Hospitals, the average age was 47. The Brooklyn VA had an average age of almost 60, including a physician who was 84 years old and actively practicing his specialty.

I think this happens when you have an institution that begins to deteriorate because it cannot recruit a balanced portion of doctors. Young doctors, middle-aged doctors.

You don't have chiefs.

An institution begins to go through a cycle of decay. Unfortunately, too large a percentage of VA hospitals are in that cycle because they have major problems in recruiting and retaining physicians.

Mr. COUGHLIN. Thank you very much.

Thank you, Mr. Chairman.

Mr. BOLAND. I just thought I caught an argument for not building Camden, New Jersey there.

Dr. ROSE. I think you ought to raise that issue with the VA Central Office. They argued for building the hospital at that site. Studies were done. We were not privy to the studies. They advocated it. Why their position has changed is not clear to us.

The VA is going to have to take care of a lot more veterans in the next 10 years. The World War II veterans are reaching a mean age of near 60. The need for medical beds is going to go up. I would suspect that the idea behind Central Office planning was to prepare for the future; and this is what they had in mind.

Done properly, I think the VA can recruit. Certainly an area like Camden, which is a metropolitan area, is not the same thing as being out in Fargo, North Dakota.

I think with an attractive package for doctors who are enticed to make a career in the VA, they can certainly recruit in the metropolitan area.

Mr. BOLAND. I don't know that VA has a responsibility for building an attractive package in a particular area. They can point to some deficiencies in the bed occupancy rate in the Philadelphia Hospital where

the rate is about 82 percent; and then argue about the question of building a hospital which was really the last—there were eight hospitals recommended—this is the only new construction recommended by President Ford when he made the recommendation on the building of VA Hospitals. All of the others are new construction replacement hospitals.

Your statement said the VA physicians were distressed by the severity of the cutbacks announced in the President's budget. A proposed hospital in Camden, New Jersey was deleted. Were they really concerned about that?

Dr. Rose. The VA physicians at the Philadelphia VA Hospital are not particularly—they are worried that there will be a hospital built.

Mr. Boland. Are there any physicians in the Bronx worried about this?

Dr. Rose. No. We don't feel it is going to affect the bed census at the Bronx; too far removed. It is the distant community as far as the Bronx is concerned. It would service people, I think, from the local area.

The Bronx draws not only the Bronx, but Northern Westchester, the northern part of New Jersey, down into Manhattan, parts of Long Island.

None of the physicians at the Bronx were particularly concerned from a personal point of view about whether a hospital is constructed there at Camden.

Mr. Boland. Dr. Rose, thank you very much. I think you had a fine statement, particularly with reference to medical research. We appreciate the statement.

Dr. Rose. Thank you.

[The complete statement follows:]

Mr. Chairman, members of the subcommittee, I am Dr. Herbert G. Rose, President of the National Association of VA Physicians, and Associate Chief of Staff for Medical Research, VA Hospital, Bronx, New York. Since our Organization has not appeared before this Committee in the past, I might take a moment to explain that VA staff physicians formed a professional association in 1975 to work for improvements in our professional environment and for better medical care for our patients. We have taken stands on many issues, including a permanent pay system for doctors, continuing medical education, the physician's role in functioning of hospitals, alcohol and drug rehabilitation programs, psychological counseling for Vietnam Era Veterans, University affiliations, due process protections for physicians, and most recently, projected cutbacks in VA Hospital budgets for FY 1979. Although newly formed, our Organization has grown rapidly, with members or Chapters at 122 VA Hospitals. For the first time, an Association of VA Physicians has been addressing the Congress, news media, Veterans groups, and medical profession on the issues of VA medical care. Speaking for myself and my colleagues, we appreciate this opportunity you have kindly provided to express our views here today.

VA physicians were distressed by the severity of the proposed cutbacks announced in the Administration's 1979 hospital budget. A much-needed hospital at Camden, New Jersey, was deleted, along with 3200 hospital beds, and many construction items. Bed cuts entail loss of 1700 employees, which will seriously impair our ability to deliver high-quality medical care and service. VA staffing is already thin and we are unable to provide acceptable service in crowded out-patient clinics.

Frankly, we were dismayed at the decision to terminate medical research at nine hospitals and schedule 55 others for possible termination. To our knowledge, such an extreme action has never occurred since formation of the VA Research Service in 1955. It is our understanding that the VA Research Advisory Committee was not consulted in this decision, foreclosing any possibility of finding alternative means to minimize damage necessitated by a shortage of 6 million

dollars. To us, the Administration's plan guarantees maximum damage to a 5 billion dollar hospital system by removing a small amount of money. Physicians know what will result. In addition to loss of jobs, closing of valuable laboratories, hampering efforts to find better means of alleviating disease, we know that recruitment and retention of career staff physicians would be crippled. VA is already in a very weak competitive position in physician recruitment because of non-competitive salary and benefits. This is manifested by an inability to recruit and retain full-time physicians, an all-time high in proportion of part-time doctors (37%), an over-aged staff, and shortages of physicians trained in certain specialties. Furthermore, the Administration has failed to develop a permanent salary structure for career physicians, and seems content to renew temporary bonus legislation. Physicians find this situation an unsatistory basis upon which to plan a career.

About 1700 VA physicians participate in research projects. Terminating these programs will remove a professional activity which partially compensates for poor salary. The cutbacks were also interpreted by us to be a message to affiliated medical schools, telling them to start looking elsewhere for their educational needs. Many VA doctors participate in training of medical students, interns, residents, and allied health personnel. Should University affiliations collapse, the VA becomes a far less attractive career.

In trying to understand the rationale justifying the cutbacks, we considered the following possible explanations:

(1) VA medical research is considered to be of such poor quality that it should be terminated.

This explanation flies in face of the facts. The VA Program was evaluated by the National Research Council in 1977. They concluded "The Committee unanimously and enthusiastically supports the independent funding in the VA of an intramural research program" and again "most investigators funded through institutional programs were carrying out research that was of acceptable quality or better". The high-quality of VA research was recently acknowledged by the awarding of two Nobel Prizes in medicine to VA scientists, Dr. Rosalyn Yalow and Dr. Andrew Schally.

(2) Research is not needed in hospitals, but should be left to medical schools, university and research institutes.

This would be contrary to PL 85–857, which mandates a medical research program in VA hospitals. Also, the National Research Council endorsed a separate program stating that the VA offered unique opportunities for research, that research fosters an environment conducive to professional excellence in medical care, and that a VA program was desirable in order to maintain a pluralistic system preventing any single agency from monopolizing the nature and directions of research.

(3) Another possible interpretation is that economic constraints and shifting priorities require concentrating on targeted areas, such as alcohol and drug studies, health care delivery and rehabilitation medicine.

The "non-targeted" programs, which are to be sacrificed, are individually conceived research programs involving 1700 staff physicians and investigators and VA's Career Development Program. These programs, nearly all of which are now reviewed for merit by peer review committees, are vital to VA physician recruitment and have, by far, the greatest impact on the quality of medical care delivered to our patients. Those familiar with VA Hospitals know that without these programs staff physicians will leave, affiliated medical schools will leave, and an already weakened Hospital System will begin the long slide back to the low-level custodial care that was provided Veterans prior to World War II.

We do not believe that anyone wishes to single out Veterans for consignment to a dumping ground for old soldiers, particularly at a time when legislation is under study to guarantee all citizens access to decent care. Therefore, we concluded that a fourth explanation is most probably correct:

(4) Namely that the unsolicited recommendations of the National Academy of Sciences Committee on VA Health Care Resources to phase VA medical care into the community as part of a National Health Insurance Plan, are the basis for the proposed budget allocations.

The National Academy of Sciences' recommendations, however, were seriously flawed by lack of necessary supporting data, particularly regarding costs of providing care for the VA patient population of nearly 3 million, most of whom lack the means to pay for the care they need. VA Hospitals, controlled by the Congress, have contained costs very well. So well, in fact, that we believe the quality of medical care has been jeopardized. In contrast, the cost of medical care in community hospitals is higher than in the VA, and is sky-rocketing out of control.

I would like to conclude my remarks by stating that we view the research cutbacks as highly destructive, not only of an excellent Medical Research Program, but of the Hospital System itself. We are not aware that a decision has been reached by the Congress to establish a National Health Insurance Plan, or that the VA Hospitals will be phased out as part of such a plan. We are not aware that a decision has been reached to contravene the intent and mandate of prior legislation, particularly PL 85–857, which states that the mission of the Department of Medicine and Surgery is to provide the best medical care for eligible Veterans. The 172 VA Hospitals are a National resource that should not be disposed of lightly. Therefore, we urge restitution of the funds deleted in the Administration's proposal, and addition of sufficient funds to revitalize the Medical Research Service. To this end, we have endorsed the recommendations of House and Senate Veteran Affairs Committees.

VA Research

WITNESSES

JOHN A. D. COOPER, PRESIDENT, ASSOCIATION OF AMERICAN MEDICAL COLLEGES

JOHN SHORMAN, VICE PRESIDENT, ASSOCIATION OF AMERICAN MEDICAL COLLEGES

Mr. Boland. We will turn to John A. D. Cooper, President, Association of American Medical Colleges.

Were you here before, John?

Dr. Cooper. No, sir, I wasn't.

Mr. Boland. We are delighted to have you.

Dr. Cooper. I have with me, John F. Sherman, Vice President of the Association.

Mr. Boland. We will be glad to hear you.

Dr. Cooper. We are pleased for this opportunity to meet with you. We do have a prepared statement here which we would like you to go over.

We are very concerned about the research budget and other aspects of the Veterans Administration budget proposed by the Administration.

As you know, I do represent all of the 122 medical schools in the country, their students, faculty, and members of the teaching hospitals.

Our interest comes from the very productive relationships that have been established between the nation's medical schools and the Veterans Administration Hospital since the end of World War II.

We think this affiliation has served the public very well. It has improved the quality of the care we have provided to the servicemen in VA hospitals and the quality of education in this program.

In addition to that, we think it has permitted the medical schools to expand their class-size and educational programs to meet national needs.

The VA has become a very important source of clinical facilities for the education and training of medical students and residents.

We are concerned about these budget cuts which President Carter has recommended because we think they would do great harm to the continuation of the high quality of the VA efforts in these areas.

We urge you to substantially increase the appropriation levels recommended by the President. I have a chart in our testimony, on page 2, which shows the relationship of appropriations for these programs

during Fiscal Year 1978, the Administration recommendations, and what we recommend.

The President's budget would actually reduce the amount of the appropriation for the medical research program by $407 thousand. In contrast, we recommend, as I will talk about the specifics in a moment, a substantial increase to meet what we consider as opportunity and need.

In health services research, the President recommends a $350,000 increase. We recommend that the President's budget not be followed.

In prosthetics research, the President has recommended an increase which we go along with.

I would point out the increase that we recommend for the medical research program is 17 percent over the 1978 appropriation.

Mr. BOLAND. You don't go along with the President's increase in the health services research?

Dr. COOPER. I am sorry. $500,000 more.

If I could go through very briefly what the proposed cuts in the medical research budget would mean.

It would phase out institutional research in approximately 53 of the hospitals. It would postpone the initiation of research programs in the hospitals newly affiliated under Public Law 92–541. This is the law which provides for the establishment of new medical schools in relationship to previously unaffiliated VA hospitals. These are now underway.

It would deny support to investigators who have been newly approved by the Merit Review Board.

It would limit the level of support granted to any VA investigator to $100,000, which, although a sizable sum, may not be adequate to fund certain research projects whose magnitude in scope and importance requires funding nearly twice that level to assure excellent investigation.

It would reduce the present career development awards and place a moratorium on new appointments. And it would curtail research programs in alcohol abuse.

We think the consequences of these actions would be to severely weaken medical school/VA hospital affiliations, particularly in the 53 affected hospitals and prevent the development of strong affiliations for those hospitals newly affiliated with medical schools under the terms of Public Law 92–541.

The Veterans Administration staff at these hospitals would be deprived of opportunities for research available to their medical school colleagues and would thus become less competent and less highly esteemed members of the faculty.

In the absence of a research atmosphere, it would become very difficult to recruit VA staff. The enactment of the President's budget proposals would clearly signal a sharp reduction in interest by the VA in research, in spite of the facts that distinguished non-VA scientists had found the proposed research projects of merit and that past VA research efforts had been crowned with great success as evidenced by the recent awards of Nobel prizes to two VA investigators.

It would trigger a reduction in the Career Development Program which has been highly successful in recruiting fulltime VA staff.

Forty percent of these finishing the program have accepted VA staff positions. This program has also been successful in attracting physicians into scarce specialties such as radiology, pathology, and anesthesiology, an outcome from which not only the VA but the entire national medical service system has profited.

In addition, the research productivity of Career Development program trainees has been high. To reduce the funding of this program would deprive both the VA health care system and the nation of the opportunity to develop in a very competent and cost-effective manner, young physicians and researchers whose skills are badly needed.

It would also prevent the Veterans Administration from maintaining the momentum in its efforts to initiate effective research in alcohol abuse, an enormously important problem not only for the VA but for the entire nation.

It is for these reasons that the AAMC recommends that this subcommittee and the Congress appropriate $17,725,000 more than the President's budget request for medical research: $7,225,000 to maintain the present level of effort in the medical research programs, to prevent the phasing out of the research programs in the 53 hospitals, and to provide modest increases for existing programs; $2,500,000 to support the Career Development Program and to fund approved candidates; and $8 million to expand existing research programs, initiate research programs in two hospitals with new medical school affiliations, and to support 10 new alcoholism investigators.

Mr. COUGHLIN. Doctor, to the extent you can summarize, we will read the statement. It will be in the record.

Dr. COOPER. With regard to the prosthetic research, we go along with the President's recommendation. We think this research is important not only for the veterans with service-connected disabilities, but to assist in rehabilitation of others in the country who need this help.

With regard to health services research, we recommend half a million dollars more than the President requests. We think the VA system offers very excellent opportunities for health services research devoted to improving efficiency in terms of the services.

We think that this amount of money will permit the carrying on of research programs which will benefit not only the VA on the cost effectiveness of its medical care programs, but medical care programs in the nation more broadly.

Turning to a few items in the medical care budget other than research, which we are also concerned about, one is the education and training budget.

We would increase this $3,356,000—the President's budget would increase this only $1,356,000 over the 1978 appropriation. This amount of money would only permit the bringing on board of the 282 new internship and residency positions which were promised in October of 1977 for July 1 of 1978.

Those positions are required to provide an adequate number of residents for newer affiliations, to increase the number of primary care physicians being trained, and for training in the scarce specialties.

In order to provide additional resident physicians which are needed for the staff of the hospitals which are newly affiliated and to maintain

the VA share of training the increasing number of U.S. graduates that are now emerging from medical schools, we recommend an additional $2 million to permit a modest expansion of the residency training program.

So, thus, we recommend a $3.356 million appropriation for those education programs, $2 million above the President's budget.

We would also like to recommend $345,000 for the support of an assessment of the present VA/medical school affiliations to identify problems and develop ways to make these affiliations more effective.

This kind of study was recommended by the National Academy of Sciences/National Research Council report, "Health Care for American Veterans."

We also request $1.3 million to permit the appointment of associate chiefs of staff for education in those hospitals where they do not now exist.

We think this is particularly important because it will improve education and training in those hospitals that do not have an individual overseeing this program.

We also ask for $400,000 for an additional regional medical education center in the Northeast. There are seven of these centers which provide continuing education and serve other purposes in organizing medical education for the VA.

The present center in New York City which has to serve the entire Northeast is overburdened and has twice the load that any other center does. We think the VA needs to establish an additional center which will be in the Northeast.

We would also request another $800,000 to strengthen the present centers so they can fulfill their responsibilities and the increasing demands for continuing medical education which are related to licensure and recertification.

One and one-half million dollars we think should be appropriated to permit staffing of learning resources centers which have been established in the VA. The equipment is there, the facilities are there; but they are inadequately staffed and are not being used to their maximum.

These centers are important for educating, training physicians and other health professionals, but also for patient education and training.

We have testified here from year to year about our concern about the staffing of VA hospitals. Although some beds would be closed and the overall staffing ratio of the hospitals will be increased slightly, the staffing of the VA Hospital is still far below the corresponding hospital, the teaching hospital in the medical center.

We think in order to increase staffing that $100 million is needed to strengthen the staff in all the VA hospitals, and particularly to help improve the staff in those new hospitals—the hospitals that are involved in the new affiliations and the new medical school.

We have now 1.96 staff per bed in the VA system. That is increased very, very slightly over the years. This is still far below even the staffing ratio in the smallest community hospitals in the area.

Mr. BOLAND. How far below is it?

Dr. COOPER. They will run, even community hospitals will run above 2.8; and the teaching hospitals which are in the centers, which give highly complex tertiary care, which requires highly trained staff, will run 4 or higher per bed.

Finally, there are three research and educational buildings which have been planned for Miami, Long Beach and Shreveport, which we think should be built. These are badly needed for the research programs in these institutions.

In addition to that, these buildings will release the space now being used in the hospital for other badly needed purposes.

Mr. Chairman, that summarizes my statement. We thank you for your allowing us to be present here. We think, as Dr. Rose pointed out, we need this kind of money to maintain the level of quality that the VA has achieved, and to maintain the kind of relationships that have been so effective between the VA and medical schools.

[The complete statement follows:]

STATEMENT OF THE
ASSOCIATION OF AMERICAN MEDICAL COLLEGES
ON FISCAL YEAR 1979 APPROPRIATIONS FOR THE VETERANS ADMINISTRATION

Mr. Chairman and Members of the Subcommittee:

The members of the Association of American Medical Colleges appreciate this opportunity to appear before the Subcommittee during its consideration of the fiscal year 1979 budget for the medical care and biomedical and behavioral research programs of the Veterans Administration.

Established in 1876 to work for reforms in medical colleges, the Association of American Medical Colleges has broadened its activities over the years, so that today it represents the whole complex of individuals, organizations and institutions charged with the undergraduate and graduate education of physicians. It serves as the national voice for all of the 122 operational U.S. medical schools and their students, more than 400 of the major teaching hospitals, and over 60 academic and professional societies whose members are engaged in biomedical and behavioral research.

Our interest in commenting on these appropriation requests stems from the productive and fruitful relationships that have developed between the nation's medical schools and the Veterans Administration Hospitals since the end of World War II, and that have served the public interest well. The quality of medicine provided former servicemen in the VA hospitals has been improved substantially and the quality of graduate medical education in those hospitals has been greatly enhanced by this relationship. In addition, the environment for medical research created by the affiliations has enabled the Veterans Administration to conduct a research program which has contributed greatly to the improvement in the health of both veterans and the general population, and has also upgraded the educational and patient care activities in the VA hospitals. The expectation that such an outcome would ensue was a key element in the agreement some thirty years ago to establish and maintain close working relationships between VA hospitals and American medical schools; subsequent historical developments have amply vindicated the prediction. The VA/medical school relationship has been a central factor in attracting physicians of unusually high quality into the VA medical service for the reason that, along with caring for the sick, they could participate through research in devising new ways to care for and to prevent illness.

The Association of American Medical Colleges is deeply concerned that the proposed budgets for biomedical research and medical care in the Veterans Administration for fiscal year 1979 submitted by President Carter would do great harm to the continuation of the high quality of the VA's efforts in these areas and urges the Congress to substantially increase the appropriation levels recommended by the President. The following chart illustrates the appropriations requests of the AAMC in relation to the appropriations for these programs during fiscal year 1978 and the Administration's appropriations requests for fiscal year 1979:

Presented by John A.D. Cooper, M.D., President of the Association of American Medical Colleges, before the Subcommittee on HUD - Independent Agencies of the House Committee on Appropriations, April 12, 1978.

Program	FY 78	Admin FY 79 Request	AAMC Recommend.
Medical Research	$103,206,000	$102,799,407	$120,931,000
Prosthetics Research	5,629,000	6,490,000	6,490,000
Health Serv. Research	3,018,000	3,378,000	3,878,000
	$111,853,000	$112,667,407	$131,299,000
Medical Care	$4,924,937,000	$5,279,699,000	$5,402,744,000

The increase in the Medical Research Program requested by the AAMC is $17,725,000 over the fiscal year 1978 appropriation, an increase of 17%, and is $18,131,593 over the Administration's request for fiscal year 1979, a 17.6% increase. The increase in the Medical Care program requested by the AAMC is $477,807,000 over the fiscal year 1978 appropriation, an increase of 9.7%, and is $123,075,000 over the Administration's request for fiscal year 1979, a 2.3% increase.

I would now like to describe in detail why the Association is requesting this Subcommittee and the Congress to accept our recommendations for the fiscal year 1979 budget and delineate where the recommended increases would be applied, if approved.

I. Medical Research

The President's budget request would reduce the VA's Medical Research budget by $407,000. This reduction, combined with general inflation, would require the VA's Department of Medicine and Surgery to make extensive program reductions in order to maintain its operations within that ceiling. Without Congressional relief the VA will be forced to:

- phase-out institutional research support in approximately fifty-three hospitals;
- postpone the initiation of research programs in hospitals newly affiliated under P.L. 92-541;
- deny support to investigators newly approved by the Merit Review Board;
- limit the level of support granted to any VA investigator to $100,000, which, although a sizable sum, may not be adequate to fund certain research projects whose magnitude in scope and importance requires funding of nearly twice that level to assure competent investigation;
- reduce the present Career Development Program and place a moratorium on new appointments; and
- curtail research programs in alcohol abuse.

The consequences of these actions would be to:

- severely weaken medical school/VA hospital affiliations in the fifty-three affected hospitals and prohibit the development

of strong affiliations for those hospitals newly affiliated with medical schools under the terms of P.L. 92-541. The Veterans Administration staff at these hospitals would be deprived of the opportunities for research available to their medical school colleagues and would thus become less competent and less highly esteemed members of the faculty. In the absence of a research atmosphere it would become very difficult to recruit VA staff. The enactment of the President's budget proposals would clearly signal a sharp reduction in interest by the VA in research, in spite of the facts that distinguished non-VA scientists had found the proposed research projects of merit and that past VA research efforts had been crowned with great success as evidenced, inter alia, by the recent awards of Nobel prizes to two VA investigators;

- trigger a reduction in the Career Development Program which has been highly successful in recruiting fulltime VA staff. Forty percent of those finishing the program have accepted VA staff positions. This program has also been successful in attracting physicians into scarce specialties such as radiology, pathology and anesthesiology, an outcome from which not only the VA but the entire national medical service system has profited. In addition, the research productivity of Career Development program trainees has been high. To reduce the funding of this program would deprive both the VA health care system and the nation of the opportunity to develop in a very competent and cost-effective manner, young physicians and researchers whose skills are badly needed.

- prevent the Veterans Administration from maintaining the momentum in its effort to initiate effective research in alcohol abuse, an enormously important problem not only for the VA but for the entire nation.

It is for these reasons that the AAMC recommends that this Subcommittee and the Congress appropriate $17,725,000 more than the President's budget request for medical research: $7,225,000 to maintain the present level of effort in the medical research programs, to prevent phasing out of the research programs in the fifty-three hospitals, and to provide modest increases for existing programs; $2,500,000 to support the Career Development Program and to fund approved candidates; and $8,000,000 to expand existing research programs, initiate research programs in two hospitals with new medical school affiliations under the authority of P.L. 92-541, and to support ten new alcoholism investigators.

II. Prosthetics Research

The Association of American Medical Colleges believes that the President's request for $6,490,000 for prosthetics research, an increase of $861,000 over the fiscal year 1978 appropriation of $5,629,000, is reasonable. $467,000 of this increase would be available for new initiatives for research and development to improve rehabilitation of spinal cord injuries, locomotor system disabilities, and sensory losses. Research of this type is essential, not only to help veterans with service-connected disabilities, but to assist in the rehabilitation of others in the nation who are the victims of these

disabling injuries.

III. Health Services Research

The AAMC recommends that the Congress increase the President's budget request for Veterans Administration health services research by $500,000, from $3,378,000 to $3,878,000. The Association believes that the VA system offers extraordinary opportunities to carry out health services research directed at improving the efficiency and effectiveness of medical services. Because of the unique characteristics of this very large health care system, the Veterans Administration has an opportunity to lead the nation in developing better methods of providing efficient and effective medical services that could do much to lower the cost of delivering health care in the private sector and to slow the escalating costs which are the focus of so much concern to the citizens of the United States today. Thus we urge that the President's budget for these programs be increased in order to expand and extend the VA's activities, particularly in the management by objectives program.

IV. Medical Care

With respect to the Medical Care portion of the Veterans Administration budget the Association will restrict its comments and recommendations to the areas of medical education and training and the workload requirements in Veterans Administration hospitals.

The President's budget request would increase the VA's education and training budget by $1,356,000 over the fiscal year 1978 appropriation. This increase would provide only for the 282 new internship and residency positions promised in October of 1977 for July 1, 1978. These positions are required to provide an adequate number of residents for newer affiliations, to increase the number of primary care physicians trained, and to provide support for training in scarce specialties, for example radiology, pathology and anesthesiology. However, in order to provide the additional residency positions necessary to implement the new affiliations authorized under P.L. 92-541, and to maintain the VA share of graduate medical education and training of the increasing number of United States medical school graduates, an additional $2,000,000 is required for the training program. This is a small sum to pay to assure that the care provided in medical school affiliated VA hospitals continues to be of the highest quality and that the training provided will be relevant and consistent with Federal efforts to solve the national problems of geographic and specialty maldistribution of physicians. Thus, the AAMC requests that the Congress appropriate a total of $3,356,000 above the fiscal year 1978 appropriation for this purpose.

The President's budget does not call for any additional fiscal year 1979 funding for other education and training programs in the Veterans Administration. Nonetheless the Association of American Medical Colleges believes that substantial increases are warranted in several of these areas.

An additional $345,000 should be added to the budget to support an assessment of present VA/medical school affiliations, to identify problems and to develop ways to make the affiliations more effective. No comprehensive study of this thirty-year old program has ever been undertaken and a study of this type was recommended in the National Academy of Sciences/National Research Council Report, Health Care for American Veterans. The AAMC believes

it is long overdue, and that such a study could usefully define the character and degree of interdependence which best serves both the medical schools and the VA health care system and thus provide a basis for the continuing evolution of this relationship. The delivery of health care services to the veteran can only be improved as a result of such a study.

We request that $1,300,000 be added to the budget to permit the appointment of Associate Chiefs of Staff For Education in those hospitals where they do not now exist. The vital task of these individuals is to oversee and coordinate educational programs in the hospitals, thus improving the effectiveness of these programs and making more efficient use of the available resources. The expansion of these positions is likely to produce an excellent pay-off, both in improved services and better training.

In order to provide for the establishment of an additional Regional Medical Education Center in the Northeast, we request that $400,000 be appropriated. This new center is needed to provide better continuing medical education for the members of the staff of about twenty-five VA hospitals. The present center in New York City is currently carrying twice that load and cannot possibly do an adequate job. The AAMC also requests that $800,000 be appropriated to strengthen the seven present Centers so that they can respond to increased demand for continuing medical education to maintain the professional competence of the physicians serving in these institutions in the face of the burgeoning growth in medical knowledge. It is of critical importance to this system that its physicians be reasonably au courant in their knowledge of medicine if we expect the veteran to receive first-rate medical care.

We request that $1,500,000 be appropriated to provide learning resource technicians to operate closed circuit television and audiovisual facilities that are already available in VA hospitals. These resources have never been adequately utilized because of the lack of staff. Closed circuit television and audiovisual education is also important for maintaining the competence of the VA staff, for providing better patient education, and for the many education and training programs for other health professionals carried out by the Veterans Administration.

The President's budget provides for a reduction of 3,132 hospital beds. The concommitant staff reduction of 1500 will be divided to other hospitals but will result in some enrichment of the staff in the reduced institutions since the staff is being withdrawn at a lower rate than the existing staffing/bed ratio. The improvement in staffing will increase the efficiency and effectiveness of the operation of the hospitals, and is expected to result in a decrease of one day in the average length of stay. As a consequence, it is estimated that 15,000 more patients will be admitted per year, in spite of the fewer number of beds. The expected decrease in length of stay can also be attributed, at least in part, to hospital and disease unique length-of-stay standards that have recently been promulgated by the Chief Medical Director.

In spite of the fact that enriched staffing can provide more effective care and use facilities more efficiently, the President's budget does not provide any funds for improved staffing in other critical areas of need.

Thus we strongly recommend adding $100,000,000 to strengthen staff, particularly in the clinical laboratories, X-ray units and patient wards. There is a critical need to add staff for emerging affiliations under P.L. 92-541 and to permit present affiliated hospitals to provide the level and quality of care characteristic of that in the academic medical centers of which they are a part. Every veteran deserves no less than this standard of care. We have argued every year before the Congressional appropriations committees for improved staffing patterns in Veterans Administration hospitals. Although there has been slow improvement over the years, the 1.96 staff/bed ratio forecast for fiscal year 1979 still lags behind comparable hospitals in the private sector, and should not be allowed to continue.

Finally, the Association requests that an additional $16,730,000 be appropriated to permit construction of research and education buildings in three medical school affiliated hospitals. The availability of this new research and education space at VA hospitals in Miami, Florida, Long Beach, California, and Shreveport, Louisiana will release equivalent amounts of space for other clinical activities.

Thank you very much for permitting the Association to appear before you today. I would be pleased at this point to respond to any questions you might have.

Mr. BOLAND. What sort of construction of research and educational buildings has taken place with respect to medical school affiliated hospitals?

Dr. COOPER. Well, these all are medical school affiliated hospitals. Their present research and education activities are not carried out within the hospital buildings.

Mr. BOLAND. You are talking about the construction of facilities within the hospital buildings, not in the medical school?

Dr. COOPER. No, sir, not in the medical school. They happen to be separated buildings which have been done in a number of hospitals. No, they are not in the medical school. They are at the VA Hospital.

Mr. BOLAND. Larry?

Mr. COUGHLIN. Thank you, Mr. Chairman.

Maybe you can tell me this—I asked the previous witness: About what percent of VA Hospital physicians also receive some kind of research funding? Do you know the answer to that?

Dr. COOPER. You mean from the VA sources, or any source?

Mr. COUGHLIN. VA sources.

Dr. COOPER. I can't give you that number. We can certainly get it for you.

Dr. ROSE. I can get it for you. There are 1700 out of 6200 full-time doctors who participate in research programs. It doesn't mean each one individually is the principal investigator in the grant. He's participating in the program.

Mr. COUGHLIN. Out of 6200——

Dr. ROSE. There are 1700.

Mr. COUGHLIN. Who receive some sort of additional compensation in terms of research?

Dr. ROSE. I think that's correct, or participate in a program that is funded.

Dr. COOPER. That isn't the only important thing, sir. The fact is the whole atmosphere in the institution is changed when that research is brought in even with physicians that are not directly following the research. The house staff is going to benefit from the fact you have a scholarly kind of activity going on in the hospital which makes it a more attractive place and a more—better place for care.

Mr. COUGHLIN. I realize that. I think this Committee is very concerned about all aspects, research cutbacks and their effect on the overall quality of care.

Dr. COOPER. If those 53 programs are phased out, it will be a minor catastrophe. I don't think there is any question about it. Those hospitals will——

Mr. COUGHLIN. In terms of quality of care?

Dr. COOPER. Quality of care, relationship of the affiliations, the ability to attract house staff and physicians. I think it will be a signal to all of the hospitals and to the staffs in the hospitals that the VA and the Administration is simply not interested in maintaining the system that they put into place.

Mr. COUGHLIN. There has been a proposal made that there should be some cutback in cooperative studies, to put the money into career development. Does that make sense?

Dr. COOPER. I think you really need both. The career development has been a very effective program in the VA in educating and training

young people; and as I said, a large proportion of those do ultimately join the VA staff but in addition to that, while they are at the stations, while they are involved with the activities at that hospital, they also contribute to research and to the other activities, even if they don't stay in the VA.

So you have an opportunity here to attract a very bright group of young people. You need that. You also need the research support for the whole program in which not only they but their colleagues on the staff can participate. I don't think there is a trade-off.

Mr. SHERMAN. These cooperative studies take advantage of a very unique resource which is the nature of a hospital system, and also of the veterans population.

Mr. COUGHLIN. Thank you. I appreciate your testimony.

PORTLAND/VANCOUVER VA HOSPITAL

WITNESSES

ROGER LARSON, PRESIDENT, EMANUEL HOSPITAL
JOHN WESTLEY, DIRECTOR OF PLANNING

The next witness is Roger Larson, president; and John Westley; who will speak about Emanuel Hospital.

Mr. COUGHLIN. I understand you have no prepared statement?

Mr. LARSON. That's right, Mr. Chairman.

Mr. COUGHLIN. Please, proceed in your own fashion.

Mr. LARSON. Thank you, Mr. Chairman.

I am Roger Larson, President of the Emanuel Hospital.

With me is John Westley, our Director of planning.

We had an opportunity to present to the Committee testimony about a year ago.

Mr. COUGHLIN. I recall your appearance then.

Mr. LARSON. We want to express our appreciation to the Committee for the fairness and the equity which we feel it approached this—what is in the Portland area an important issue; your willingness to appoint the investigative team was, we think, terribly critical and of value.

As you realize, the results which they arrived at essentially buttressed the results which the original VA consultants had come to in terms of their evaluation based on their own criteria where they evaluated the Emanuel Hospital site as approximately 73 as opposed to the 62 for the Marquam Hill site.

Second, I want to emphasize the quality of care would be continued at the Emanuel site. We are intertwined at the present time at the University in a number of programs, particularly in medical education. We continue to work with the university and have a great respect for the program.

Finally, I would like to comment and emphasize the point that came out in the investigative teams research that there's approximately a $27 million difference between the two sites.

We, of course, think this is a major factor in the decision, particularly when the quality of care to the veterans is maintained in the new location.

We thank you for your time and the attention of the Committee.

Mr. COUGHLIN. This morning a witness for a number of veterans'

organizations in the area testified that a large amount of volunteer help, some 11,000 hours worth of volunteer help which occurs now in the Marquam Hill hospital, those volunteers would be unwilling to work at the Emanuel site and all of this effort would be lost.

Do you believe that is true?

Mr. LARSON. No, I don't. We have several thousand I am sure equal to the thousand of hours quoted this morning; volunteer work done by ladies in the community that come to our particular hospital and provide the same kind of volunteer service. I have every confidence that the nature of volunteers is very much alive and that the location of the hospital in the city will not make that significant a difference.

I might comment the nature of the community in which Emanuel will be located is vastly improved each year. We spent several million dollars in renovating the area. Together with the city of Portland, we revamped the street system and did major landscaping programs. In total, I would say that just in land development in the community between HUD, the city of Portland, ourselves we spent about $8 million in terms of redevelopment of that section of the city.

Mr. COUGHLIN. You would not anticipate any problem in obtaining volunteer help or any problem in having medical school personnel come to Emanuel?

Mr. LARSON. No. I might add many of the same physicians that work at the medical school also work at our hospital. Many of the medical students and the residents that work at the medical school also work at Emanuel Hospital. We have people coming and going from all sections of the city on any day of the year. The physicians who practice at the Veterans Administration and at the medical school live in areas across the city, so they are traveling all over the city every day just like you and I travel around this city or any other city.

Mr. COUGHLIN. Thank you very much.

We appreciate your coming all this distance.

Mr. LARSON. Thank you, sir.

SPEECH AND HEARING

WITNESS

MORRISON G. CAIN, DIRECTOR, FEDERAL AFFAIRS OFFICE, AMERICAN SPEECH AND HEARING ASSOCIATION

Mr. COUGHLIN. The next witness is Morrison G. Cain, director of the Federal Affairs Office of the American Speech and Hearing Association.

Mr. CAIN. Thank you.

Mr. COUGHLIN. I notice you do have a prepared statement which we will certainly include in the record. If you care to summarize this statement, I am sure it would expedite the business of the Committee.

Mr. CAIN. Thank you very much.

I am mindful of the time constraints. I will try to summarize a few main points in our prepared testimony.

I am here on behalf of the American Speech and Hearing Association, that is the national scientific and professional association that represents 30,000 speech language pathologists and audiologists who

are the profession serving 20 million communicatively handicapped Americans.

I would like to summarize very briefly who our professionals are, what they do, and some of the problems that we encounter in the population served. I would like to relate that to two particular problems. The availability of speech pathology services in the Veterans Administration and, secondly, noise control efforts in the Environmental Protection Agency.

The speech language pathologists and audiologists would be a professional concerned with the system, structures, function of communication. They are involved in private areas: research, education, clinical services, rehabilitative services, in a variety of settings. Public schools, private practice, hospitals such as the VA hospitals, institutions of higher education, independent speech and hearing clinics, rehabilitation agencies such as Easter seals, a variety of settings.

The persons they serve are the estimated 20 million Americans who have speech, language, or hearing handicaps.

You can get various figures from various sources. An NIH survey of several years back pegged it at about 20 million Americans. Whatever the figure, there are significant numbers of Americans with communication problems, persons who suffer from stroke. There are more than a million persons who have a stroke every year. Many of those have a loss of language function associated with that.

The figures for persons with significant hearing loss have been as high as 14 million people. There are also speech language problems associated with hearing loss, cleft palate, cerebral palsy, mental retardation, emotional disturbances, cancer of the larynx, the throat is on the increase, that creates a speech problem, articulation problems, voice problems.

The Veterans Administration release on audiologists and speech pathologists in their program. As a matter of fact, the audiology program has been held up as a model program of total care starting with identification and all the way through hearing rehabilitation.

Speech pathology has been in the Veterans Administration programs since the mid-'60s, but it was only in 1976 that the Veterans Administration undertook in their annual patient survey to try to identify the extent speech and language problems among the veterans served by the Veterans Administration.

That was done in the yearly survey through a questionnaire method. There are two significant findings in that survey which is yet to be published by the Veterans Administration. One of the findings was that an estimated 16 or 17 percent of all veterans in the VA system suffer from speech or language problems. There's reason to think that that figure should be higher since there aren't enough speech pathologists to undertake that survey. Often those results are reports from nurses or other staff who really aren't as familiar with those problems, not as able to identify them. That's the third finding.

The second finding is by the VA's own statistics, 70 percent of the veterans who are identified as having speech or language problems are neither receiving services nor have been referred for services.

In other words, 70 percent of the veterans identified as having these problems simply aren't receiving services.

We would note that speech and language problems are associated with a variety of other conditions, some of which are summarized on page 4. On the left you see a diagnostic medical condition. Then on the right, you see a table for the percentages of these veterans who are identified in the survey as having a speech or language problem.

You will see, for example, stroke patients commonly experience language loss or a loss of speech.

A number of other neurological diseases, tumors, such as laryngeal cancer, other tumors, a variety of conditions also have associated with them speech and language problems.

Speech and language impairments cut across races or sex, lines of race, sex, and whether the veteran is being compensated for a service-connected disability.

We don't want to belabor the point, but I think it should be obvious the severe emotional, psychological, health, vocational and other damage that is experienced by a veteran who has speech-language problem which is not being treated.

We emphasize again these figures come from the Veterans Administration.

Well, it's clear we have a shortfall in service in speech, language services to veterans. The question is what we do about it. At present there are really only nine speech pathology units nationwide. Under VA's own staffing standards, there should be an additional 44 speech pathology units. Under the present budget proposal next year we will add one of these 44 speech pathology units.

It would cost, one time, $9 million to bring speech pathology services to veterans up to the recommended level. That's a one-time start-up cost. That includes a significant amount of money for equipment, modifying and renovating facilities which would not be required in subsequent years.

In fact, to maintain those facilities, it would require an estimated $3 million as opposed to the $9 million start-up cost.

The facts speak for themselves. 70 percent of the veterans with speech-language problems aren't receiving services. If you look at case loads at institutions that do have speech pathology units, you will find excessive case loads. Often double the recommended levels. We ask the Subcommittee to support adequate funding for Veterans Administration speech pathology services which are needed by veterans, but aren't in fact at the present moment being adequately delivered.

The other area we want to briefly touch on today is the noise control efforts of the Environmental Protection Agency.

The American Speech and Language Association's interest in this area is long-standing. We worked very strenuously for the passage of the Noise Control Act of 1972. We supported in a variety of ways the EPA's noise research and control efforts since then. Again, our interest in noise control comes from the hearing-handicapped members that our profession serves and the widespread social, personal, educational, psychological damage created by noise-induced hearing loss.

There's a very recent Environmental Protection Agency publication which I would like to offer to the Subcommittee. It's entitled Noise: A Health Problem. In addition to the very obvious and readily under-

standable hearing loss problems connected with excessive noise exposure, research is just beginning to indicate that noise may also be linked with a variety of nonhearing, nonauditory problems.

The connections are not entirely clear. In some cases they are not proven, but in a health issue of this magnitude, it should be an area of significant research. Some of the nonauditory health effects that have been tentatively linked with noise are such things as heart complications, elevated blood pressure, stress reactions, lower resistance to infection, learning disabilities, disorders of sleep.

Even some preliminary research has begun to suggest birth defects. EPA has the authority under several sections of the Noise Control Act not only to coordinate all federal noise research and noise control programs, but also to undertake noise research.

We don't believe that enough has been done. As a matter of fact, even the present insignificant amount of noise research would be cut back under the budget proposal. The budget proposal is a 5 percent cutback in the Office of Noise Abatement and Controls budget.

This also would mean a reduction of seven or eight staff positions.

At present there is very little research done by EPA even in hearing loss associated with noise, much less with all these other nonauditory effects of noise exposure.

We think this is an area where EPA should take further research steps but is prevented from doing so by this budget constriction.

We think there is an estimated $2 million worth of research that could easily be justified but just isn't provided.

So we think this is a time for strengthening, not cutting back on EPA's noise research efforts.

EPA has announced that it plans to emphasize state and local governments' enforcement and action on noise exposure. We support that. We think that's an area that certainly needs further effort. We also don't want to slight the needed research which is best done in a national coordinating fashion and with the standards-setting and other noise regulatory research functions that EPA should be doing.

We feel they are not able to do it under the recommended budget.

That concludes my summary. I would be happy to try to answer any questions that the Subcommittee might have.

[The complete statement follows.]

THE AMERICAN SPEECH AND HEARING ASSOCIATION

The American Speech and Hearing Association (ASHA) is a national scientific and professional society made up of around 30,000 speech-language pathologists and audiologists. Speech-language pathologists and audiologists are the professionals primarily concerned with the systems, structures, and functions that make human communication possible; with the causes and effects of delay, misdevelopment, and disorders in human communication; and with the identification, evaluation, and habilitation of persons with speech, language and hearing disorders. Speech-language pathologists and audiologists considered qualified providers under Medicare and Medicaid regulations must hold a Master's degree in their field of specialization and have completed a supervised clinical internship. These standards, and the passing of a national examination administered by the Educational Testing Service, are those set by ASHA for the award of the Association's Certificate of Clinical Competence in Speech Pathology or Audiology.

ASHA is the accrediting body for college and university programs offering Master's degrees in speech-language pathology and audiology and is recognized by both the Council on Postsecondary Accreditation and the Commissioner of the United States Office of Education. It is also the accrediting body for programs providing clinical services in speech-language pathology and audiology to the public.

Speech-language pathology and audiology practitioners rènder their professional services in such settings as hospital speech and hearing clinics, (including Veterans Administration Hospitals), independent outpatient speech-language pathology and audiology clinics, university outpatient clinics, outpatient rehabilitation centers (such as Easter Seal agencies), Head Start programs, private practice, and private and public schools. The nation's communicatively handicapped population served by speech-language pathologists and audiologists includes the millions of Americans with bilateral hearing losses large enough to restrict seriously understanding of speech; of special note here are the 20 to 25 percent of all persons aged 65 or older who experience such hearing losses. Also included are those Americans for whom cancer-caused removal of the larynx results in a total loss of voice, and those who experience a significant reduction in language function (aphasia) as a result of stroke. Members of the speech-language pathology and audiology professions also serve children and adults with such identifiable disorders as receptive and/or expressive language impairment, stuttering, chronic voice disorders, and serious articulation problems affecting social, emotional, educational and/or vocational achievement. The professions also deal with speech and language disorders accompanying conditions of hearing loss, cleft palate, cerebral palsy, mental retardation, emotional disturbance, multiple handicapping conditions, and other sensory and health impairments.

A 1969 National Institutes of Health report put at 20 million the number of communicatively handicapped Americans. A report on this government

study termed a population of 236,000 profoundly deaf Americans "a conservative total." The same report estimated that some 8 1/2 million Americans have "hearing problems of one type or another which are less severe than deafness but which impair communication and hence social efficiency." More recent estimates have reported nearly 14 million hearing-impaired Americans. Americans suffering from central communication disorders (such as impairments of speech and language resulting from stroke or mental retardation) were estimated at 2.1 million, and those with speech disorders at an estimated 10 million.

SUMMARY OF TESTIMONY

In this statement, we address the lack of adequate services for veterans with speech or language impairments. We will also touch briefly on our concerns on funding for Environmental Protection Agency's efforts to control environmental noise. Services to communicatively impaired veterans and environmental noise are two areas in which the American Speech and Hearing Association has maintained a longstanding interest and involvement.

The Veterans Administration has long drawn on the expertise of audiologists in establishing and operating the VA's model program of hearing rehabilitation care. This exemplary program includes complete services to hearing handicapped veterans from identification through aural rehabilitation to assure maximum functional hearing ability. The military services, most notably the Army, are now beginning to call upon audiologists to establish hearing conservation programs in recognition of the fact that the single most prevalent service-related health hazard for U.S. troops is noise-induced hearing loss. Although much remains to be done, efforts are underway to provide quality for servicemen and veterans.

However, veterans with disorders of their speech or language functions generally do not fare so well. The American Speech and Hearing Association firmly believes that it is essential that such veterans receive proper professional service in identifying, treating and helping them overcome or compensate for their communicative disabilities.

Our starting point today is a recent Veterans Administration survey of speech-language pathology services which reveals that such services are not being delivered to 70% of the VA patients identified as requiring them. In fact, the real percentage of unserved veterans may be even higher, since the Veterans Administration does not have enough speech-language pathologists even to locate and identify all the veterans in need of speech or language services. The result is that a great number of veterans are

26-648 O - 78 - 23

precluded from leading useful lives because of this inability to communicate in a world where the ability to function often depends on oral/verbal communication skills.

We ask the Subcommittee's assistance in ensuring that the Veterans Administration remedies this demonstrated shortage of speech and language professionals and takes prompt action to provide needed speech and language services to the veterans served by the VA.

SPEECH PATHOLOGY SERVICES IN THE VETERANS ADMINISTRATION

Although speech pathology units have been active in Veterans Administration hospitals since the mid-1960's, it was not until September 1976 that the Veterans Administration's annual patient census sought to make a large scale estimate of the prevalence of speech-related communicative disorders in VA hospitals and extended care facilities. The survey examined approximately 30,000 randomly selected patients for the presence of a communicative disorder, which was defined as a condition in a patient which "reduces verbal and/or written command of his native language to such extent as to interfere with the ability to express everyday needs, cause the patient frustration and embarrassment, or call attention to the patient in the communication process." Specific examples were provided in survey guidelines, further describing the nature and varieties of communicative disorders.

> Disordered communication is usually related to specific physical conditions such as stroke, neurological disease processes, and/or pathologies of specific muscle groups associated with oral or written language. The degree of disorder may be mild or severe. Some patients may exhibit similar anomolies of a functional nature, symptomatic of emotional impairments or faulty learning.

The survey was to be conducted wherever possible by speech pathologists on VA staff. Speech-language pathologists found that over a quarter of the patients surveyed demonstrated speech-related communicative disorders. Unfortunately, too few VA hospitals, domicilary institutions and nursing homes have speech pathology units. As a result, many of the responses were prepared by persons without experience or expertise in identifying communicative disorders. Not surprisingly, those persons reported lower prevalence rates than did speech-language pathologists, the most knowledgeable professionals. Even so, the overall results of the prevalence survey were striking -- and alarming. In a randomly selected population of approximately 30,000 patients, 15.8 percent were identified as having speech

disorders. Even this dramatic figure may not give a full picture of the extent of communicative impairments among VA patients, since many responses were prepared by persons without specialized professional knowledge of speech disorders, and since a sizeable proportion of patients (5.4 percent) were unavailable for evaluation or could not be categorized without additional testing. If we eliminate the "unknown" category from consideration and consider only those patients actually evaluated, communicative disorders were found to afflict 16.8 percent of all VA patients.

If the reported 16.8 percent prevalence rate prevails through the VA system, we must confront the fact that one out of every six patients served by the VA health care system suffers from a disorder. As already mentioned, there is every reason to believe the actual percentage is even higher, very likely as much as double that rate.

Whatever the exact number, all evidence clearly demonstrates that communicative disorders are pervasive; this can also be seen by analyzing the variety of health conditions associated with communication disorders. According to VA survey data, these are:

Condition	Percentage With Communication Disorders
Vascular lesions affecting the central nervous system (including stroke)	57.4%
Non-psychotic mental disorder associated with physical conditions	38.8%
Psychotic disorders with organic brain syndrome	33.3%
Neurological diseases (e.g., multiple sclerosis, Parkinson's, acquired cerebral palsy)	30.1%
Malignant neoplasms (e.g., laryngeal cancer)	19.8%
Psychotic disorders	12.5%
Heart, circulatory and respiratory diseases	10.5%
Other general medical and surgical conditions	8.9%
Psychoneurotic/character disorders	5.1%

The prevalence of communication disorders increases with age (although the 1976 survey identified over 36,000 veterans under the age of 55 as having communicative disorders). Speech impairments cut across lines of race, sex, and compensation category (i.e., whether the patient is being treated for a service-connected disability).

A speech or language handicapped veteran not only experiences great difficulties in obtaining gainful employment, but also suffers the psychologically devastating social embarrassment of not being able to communicate. The veteran who cannot communicate in our verbal world is precluded from participating in a normal life style within the civilian environment, after having served the citizens of his country.

The most startling and disheartening fact revealed by the 1976 VA patient survey is that very few patients are receiving needed speech pathology services. An incredible 70% of patients do not receive speech pathology services even though they have been identified as having communicative disorders. Only 15% of communicatively-impaired veterans are presently treated by VA speech pathology staff, with an equal percentage of patients referred to outside speech-language pathologists. In other words, of the 14,700 veterans nationwide who are estimated to suffer from communicative disorders, fewer than 4,600 are being provided with, or referred for, speech pathology services. Such neglect of a function so critical to life -- the ability to communicate -- is not only unjustified but also unconscionable.

These figures, let it be emphasized, come from the Veterans Administration itself, which is currently reviewing a summary report entitled "Communicative Disorders Among VA Patients and Patient-Members: 1976" and written by three statisticians in the Biometrics Division of the VA's Reports and Statistics Service.

The VA survey has suggested the magnitude of the shortfall in delivering needed speech pathology services. However, it is clear that the VA has not yet devoted adequate resources to solving this demonstrated lack of services. When the 1976 survey was conducted, there were only 88 VA speech pathology units nationwide to serve VA hospitals, domiciliaries and nursing homes. Since that survey was completed, only one unit has been added, with the minimal increment of a single unit scheduled for fiscal year 1979 -- even though, by present VA criteria, 44 additional speech pathology units are called for.

The VA's speech pathology services could be brought up to an adequate standard with a one-time appropriation of $9 million dollars. This figure reflects start-up costs, such as procuring equipment and modifying and renovating facilities; the support needs of these expanded services would decline in future years to around $3 million annually. This would not only bring needed speech pathology services to VA institutions which at present

are unserved, but could also help reduce excessive caseloads -- which often operate at double the recommended level -- in many existing speech pathology units.

We ask the Subcommittee to support adequate funding for the Veterans Administration speech pathology services which veterans need but often fail to receive.

NOISE CONTROL AND THE ENVIRONMENTAL PROTECTION AGENCY

The American Speech and Hearing Association has long maintained an active interest and involvement in the area of environmental noise. Besides conducting some of the earliest studies on the auditory and non-auditory effects of excessive noise exposure, the American Speech and Hearing Association was the only major health-related scientific and professional organization to work strenuously for passage of the Noise Control Act of 1972 (P.L. 92-574). Since enactment of that law, our Association has consistently sought to ensure the fulfillment of the legislative mandates of the Act: promoting an environment free from harmful noise through effective coordination of federal research and abilities in noise control, establishing federal noise emission standards for products, and educating the public about the noise emission and noise reduction characteristics of these products.

Our interest in noise control derives from the principal concern of our members -- the welfare of the 20 million Americans who are communicatively handicapped, more than 14 million of whom suffer hearing loss. A great many of these hearing-handicapped Americans can attribute their hearing loss to noise in the environment. Recent years have brought a much needed increase in public awareness of the far-reaching social, vocational, economic, educational, and psychological damage wreaked by noise-induced hearing loss.

In addition to the auditory effects of noise exposure, recent research is beginning to demonstrate that a host of non-auditory health threats make noise a broad and insidious public health hazard. A very recent Environmental Protection Agency publication entitled Noise: A Health Problem, summarizes the variety of health hazards connected with noise. Besides the obvious danger to hearing, there is a broad variety of non-auditory health problems which research is now beginning to link with noise: heart complications, elevated blood pressure, stress reactions, lowered resistance to infection, learning disabilities, sleep disorders, and even birth defects.

Section 4 of the Noise Control Act of 1972 requires EPA to coordinate all federal noise research and noise control programs. But, paradoxically, at the same time that the breadth of the public health threat posed by noise is becoming clearer, EPA's noise efforts have been shrinking. The Administration budget proposes a 5% cutback in the agency's overall noise program funding and a reduction of seven positions in the Office of Noise Abatement and Control.

Noise research is being neglected: EPA presently has underway only one research project on hearing loss. We feel that noise research should be a major, adequately funded research priority.

To fulfill the Congressional mandate that all Americans be safe from noise that jeopardizes their health and welfare, an aggressive research program should be undertaken to determine the biophysical effects, both auditory and nonauditory, of noise on individuals and to evaluate the social and economic consequences of noise pollution. This research program should be a broad-based effort to involve universities, professional and other qualified organizations.

A full-scale research program should include research on the effects of noise (both intermittent and impulsive) on the heart rate, blood pressure, blood chemistry; on the question of whether noise acts as a catalyst or synergist on the development of cancer, heart disease, or viral diseases; and the effects of noise exposure on especially susceptible populations such as hospital patients, pregnant women, the elderly, the mentally ill, children, the poorly nourished and the poor. The research opportunities are many and promising, readily justifying a $2 million research effort. Under the present budget proposal, funding cutbacks will reduce even the presently inadequate levels of research.

The need for stepped-up noise research efforts is heightened by the difficulties of inter-agency coordination which are just now being resolved. Although numerous federal agencies have some responsibility for noise control and research, (e.g., the Occupational Safety and Health Administration, the National Institute of Occupational Safety and Health, the Department of Transportation, and others), many of these agencies have done little in the field. For its part, EPA has encountered so much difficulty in analyzing and coordinating the efforts of these other agencies that a Government Accounting Office study of federal action on noise research and control concluded with the judgment:

> Noise research, assessment of noise research done to date, and coordination of the Federal noise research effort need more resources and effort in order to be effective.

That judgment is still valid; EPA research efforts need to be strengthened, not cut back.

Additionally, EPA's noise enforcement and education efforts need to be strengthened. It makes little sense providing the funds needed to formulate standards and criteria if you lack the staff to enforce those standards. In this area, too, proposed cutbacks (two positions and $100,000 in funds) threaten to reduce even further presently inadequate noise efforts.

Finally, EPA has announced that it intends to shift the focus of its noise control efforts to state and local programs. We agree that state and local government efforts on noise have generally been minimal and need strengthening. To this end, we would support a proposal for an EPA-sponsored national conference for state and local noise enforcement officials, and perhaps a series of regional conferences as well. However, state and local efforts should supplement, not supplant, the Office of Noise Abatement and Control's leadership role in research and standard-setting.

We appreciate this opportunity to present our views on the two important areas of speech pathology services in the Veterans Administration and Environmental Protection Agency noise control efforts.

Mr. BOLAND. How many VA hospitals have adequate speech pathology units?

Mr. CAIN. There are 89 units right now that have speech pathology units.

Mr. BOLAND. How many of those are doing a first-rate job?

Mr. CAIN. They are all doing a good job within staffing constraints. I would have to get the VA, the present staffing, the case load figure. I know that there are a significant number of VA speech pathology units that have double the recommended case load. I can't give you the figure. I would be happy to try to get it.

Mr. BOLAND. Mr. Coughlin.

Mr. COUGHLIN. Thank you, Mr. Cain. We appreciate your appearance and statement.

Mr. CAIN. Thank you, Mr. Chairman.

CAMDEN VA HOSPITAL

WITNESSES

THATCHER LONGSTRETH, PRESIDENT, PENJERDEL CORPORATION
DR. LINDSAY P. PRATT, CHAIRMAN, DEPARTMENT OF EAR, NOSE AND THROAT, COOPER MEDICAL CENTER
DR. LEWIS CORIELL, BOARD MEMBER, PENJERDEL CORPORATION

Mr. BOLAND. We will be delighted to hear from Thatcher Longstreth, President of the Penjerdel.

Do you have Henry Wadsworth here?

Mr. LONGSTRETH. No.

Mr. BOLAND. This is a tri-state organization of business serving Pennsylvania, New Jersey, and Delaware. We have Dr. Lewis Coriell, a board member, and Dr. Lindsay P. Pratt, Chairman of the Department of Ear, Nose and Throat.

At what hospital?

Dr. PRATT. Cooper Medical Center.

Mr. BOLAND. Proceed, Mr. Longstreth.

We will put your entire statement in the record.

Mr. LONGSTRETH. I used to serve in an elected body myself. I was on the Philadelphia general counsel.

Mr. COUGHLIN. Mr. Longstreth is one of our most distinguished Philadelphians. I think no one has served his community with more love or enthusiasm than Thatcher has.

He has an unparalled career in community services in Philadelphia.

Mr. BOLAND. Thank you for that.

Mr. LONGSTRETH. I really would like to communicate to this committee most of all our feeling that what goes on at the Veterans Hospital in Camden is essentially a regional concern.

I guess that's one of the reasons I was so anxious to testify, was that today we think that one of the great things that has occurred in our community is a recognition by people who serve in the federal and state and local governments that the Penjerdel region made up of Bucks, Chester, Philadelphia and Montgomery Counties in Pennsylvania, New Castle in Delaware, and Burlington, Camden, Glouster and Salem in New Jersey, make up a region of nearly 6 million people

which is such a harmonious region if the Founding Fathers were doing it again, they might make it a state.

In as much as it's not a state and in as much as the problems that relate to southern New Jersey have a direct impact upon the Philadelphia area or the Wilmington area, we have tried through Penjerdel to create an instrument that will look at and evaluate events taking place in a region and attempt to bring together the appropriate Congressmen, Senators, state legislators, state senators who would have a concern with something of this sort.

We are deeply concerned in what happens to the Veterans Hospital, I think primarily as it relates to the ability of the area to provide services for the 700,000 veterans that dwell therein.

I have a—obviously, a great interest in what might occur from the standpoint of the economic development advantage that would occur from the building of a hospital. But frankly, it's my feeling that you don't approve veterans hospitals in order to develop an economic strength for a particular community.

That's a very important side issue, aftermath, what have you.

Mr. BOLAND. It's a fine spinoff.

Mr. LONGSTRETH. Great spinoff. It is essentially a spinoff.

The most significant factor here we feel is the provision of adequate health care. In as much as this was begun in 1972, there were a whole series of very careful steps that were made, evaluating, analyzing, and eventually determining that this hospital ought to be built in Camden.

From that came really the whole redevelopment of central Camden, built around that central edifice.

Pulling that away from us at the last moment has had a devastating effect, moralewise, clearly, by any measurement you want to use, so much so that I, from across the river, who could probably find plenty of reasons for not wanting to see it built—we could always say maybe it will draw away from the doctors on the other side of the river, maybe it will take veterans that we look over in Lebanon, Coatesville, Philadelphia, and put them in New Jersey—there are plenty of parochial reasons I can advance, and I don't believe in them.

I think the development of this institution and the effect it will have not just on Camden but a great many people who come across the river to a superior facility will be very beneficial to those persons who have served their country in wartime.

As one of those, I guess I could be accused of having a self-interest as well, Mr. Chairman.

Another factor that we think is most important is, if you will, the credibility of the Federal Government and the fact that where installations of this kind are in effect promised and where we local people assume this is going to happen and follow through as strongly as we have in this particular instance, to lose it on what would appear to be a last minute decision is somewhat arbitrary in nature, is a devastating thing.

I haven't attempted to go into the various aspects of economic recovery which would come out of this hospital, Mr. Chairman. It is in my formal statement.

I know that you have heard these facts. I see no reason in reiterating them. I believe in them. I believe that the number of jobs that will be generated, 1100 jobs the number of persons visits, 650,000 of them, $10¼ million annually brought into Camden, 900 construction jobs,

things of this sort are all quite obvious to you and are important spin-offs, as we said.

But the things that to me are most significant here is that we are in an area where we have a 0.7 bed per veteran services, 3.2 beds per thousand on the national scene.

We have lots of veterans who are getting older. Their needs are increasing. We need more long-term care. We don't think it will be forthcoming if this installation isn't completed. We picked a place with excellent transportation from all parts of the region. The Camden site was picked as the best of the 25 potential sites examined by an impartial arbiter when the study was made 7 years ago.

We have all sorts of support from the national veterans groups who want to see it completed. The South Jersey HSA has studied and approved it.

When we look at all those plus factors that this installation has going for it, we would hope that this body in their wisdom would see fit to reverse the requests that have come from OMB and from the veterans and give us an installation we feel we badly need.

I conclude these remarks by generating the fact I am speaking for 11 counties, part of 3 states. I am speaking as a man essentially related to the business community. I am not an elected official and I have no connection with any hospitals.

I am doing this essentially as the chief executive officer of a regional organization that represents in total about 2400 business interests and which I think has taken a business approach to this in terms of our desire to have it built.

[The complete statement of Mr. Longstreth follows:]

STATEMENT OF THE PENJERDEL CORPORATION

My name is Thatcher Longstreth. I am the President of the PENJERDEL Corportation, the regional affiliate of the Greater Philadelphia Chamber of Commerce. Together, these organizations represent 2400 companies of all sizes. Our mission is to enhance economic development and the quality of life throughout the eleven county region (Mercer, Burlington, Camden, Gloucester, Salem, New Castle, Chester, Delaware, Montgomery, Bucks and Philadelphia) comprising the tri-state Delaware Valley.

On behalf of our members and the 5.6 million residents in the PENJERDEL region, I ask that the members of this important Subcommittee give favorable consideration to continuing in the budget the appropriations necessary for the completion of the proposed $75 million Camden VA Hospital. The full implementation of this project is vital to the economic recovery of Camden which is a major cornerstone of this region. At the present time, Camden is the 9th most distressed city in the United States.

During the past five years, an aggressive, imaginative redevelopment plan has been approved. Of the $265 million cost, the $75 million VA Hospital project represents 28%. Further, a great deal of effort and money have already been put forth in preparation for the project and on the commitments made by the Federal Government over the years. The rebirth of Camden, physically and as a center of thousands of jobs is important to everyone who works, lives or does business in any part of the eleven county PENJERDEL region. Thus, the location of the 480 bed Veterans' Hospital in Camden, as originally conceived and promised, is a regional priority, not merely a matter of local concern. As a matter of fact, any economic impact on this region has a ripple effect and can be felt throughout the entire Northeastern United States. This has been evident during the past two decades as the growth trend in the Northeast has suffered a continuing decline.

The VA Hospital would generate 1,100 jobs and 650,000 annual person visits to the City of Camden. By the most conservative estimates, the jobs would contribute over $10 million annually to the local and regional economy. The person

visits would add another $1¼ million. This base of annual cash inflow together with the salaries developed by the 900 construction personnel to build the installation, would be a substantial stimulus to the City's and the region's economy as the base amount was increased by 3 or 4 times by the multiplier effect.

The objectives of the City's excellent renewal plan are designed to:

1. Provide jobs for under and unemployed city residents.
2. Attract middle income residents back to the city.
3. Attract investment in private office space, industrial, commercial and retail activities.

In addition, we submit that this nation must meet its responsibility to the veterans of this area and provide the care that has been promised to them by the Congress. The region's 700,000 veterans will fall victim if the VA Hospital is not completed. Our veterans' population is aging. Its need for hospital care is increasing substantially, and because it is an older group, longer term care is necessary. There are presently in the Philadelphia-Southern New Jersey area 0.7 beds per 1000 veterans compared with the national average of 3.2 beds per 1000 veterans.

Camden's central location and its easy access by any mode of transportation, makes it an ideal location for the long-planned Veterans Administration Hospital to serve much of Southeastern Pennsylvania, Southern New Jersey and Delaware.

Studies by the Veterans Administration were carefully performed to confirm Camden as the best of 25 sites in the Delaware Valley. Further studies by the VA established the need for the $75 million 480 bed hospital. The South Jersey Health Services Agency supports the project. The national policy of the Veterans of Foreign Wars and the American Legion recommends completion of this project.

I urge you gentlemen to report favorably the continuation of the Camden 480 bed Veterans Administration Hospital at the $75 million appropriation.

Mr. BOLAND. If the VA hospital is not built, will the medical school be built?

Dr. PRATT. The medical school at the start is the third and fourth year.

Patients are transferring from the other medical schools in Jersey to start at Cooper, where they get their third and fourth year. They don't have to build anything. It is a cheap way to get a medical school started.

Mr. BOLAND. Thank you, very much for a very impressive statement, incidentally, one you obviously wrote yourself. You know it so well. Apparently you have lived with this problem since the decision was made not to construct the hospital and just put an outpatient clinic there.

I appreciate it and I know that members of this Committee will appreciate the statement that you have given to us.

Thank you.

Dr. Coriell?

Dr. CORIELL. I have a statement. I will just summarize it for you.

I would like to make basically two points and maybe a third if there's time.

The first point is that the veterans and the nonveterans of South Jersey have been underserved medically for 200 years and are still underserved.

The second point is that we have turned around on that now and got everybody together to correct it.

In support of the first point, the number of physicians per 100,000 people in the United States is 175.

In New Jersey it is 156. In South Jersey, 122. In Camden, 24½ private practitioners. Veterinary physicians, zero. There you have it. We are underserved. We don't have physicians. We haven't had them in the past. Residency track, which upgrades the quality of care if

there's a resident on the floor day and night, we essentially don't have in New Jersey hospitals. The ones we do have are graduates of foreign medical schools. 74 percent of the residents are graduates of foreign medical schools.

Medical education, we have no medical school in South Jersey. Therefore, we don't have students coming to us. Boys and girls have to go out of the state if they want to become doctors and most of them stay there. We don't have ongoing medical education of the practicing physician because that usually comes from a medical center or medical school, where there's research and training and teaching and so on. So we send our patients to Philadelphia, but no education comes back.

I don't blame the deans of the medical schools there. That's not their obligation; but just another incidence that we don't have high quality medical care.

We don't have a center of excellence like a medical school for tertiary medical care, the very severe cases. So, we export our physicians and we export our seriously ill patients. The third point is research. I will quote from the cancer field. I have compared the number of National Cancer Institute grants and American Cancer Society grants to 6–7 states on the Eastern Seaboard. New Jersey on a per capita basis gets 20 percent of the grants for cancer research that the other 6 states do. The reason for that is quite obvious. We have had in the past no medical schools at all. We have two now just getting going in North Jersey. Those are the places where research is done. If there's nobody asking for research funds in New Jersey, obviously we don't get much.

The cap on top of that is that New Jersey is fourth highest in the United States for amount of taxes paid into the Federal Government and 46th in the amount of federal grants and contracts that come back to New Jersey. We are supporting work done in other places. You don't get research done in community hospitals, which is the bulk of medical care in New Jersey. To get research done, you have to have full-time people, facilities, all the equipment that it takes to do research.

That's the background.

We are underserved, have always been, still are. In the last 10 years, it's turned around. We have convinced the legislators, the Governor, the community, the labor, all the people that you heard testify here that this is a serious problem that's been going on for so long. It is time we turned around and did something about it.

Out of that has come this development of a medical school, which when it is developed corrects all those deficiencies. It stems out of the center of excellence: Primary care, tertiary care, residency, teaching, the whole bit.

That's the basis of it.

The veterans hospital fits into that beautifully because it brings additional beds to this complex center, additional expertise to take care of our patients. They can share in this setup in Camden many of the expensive things we are building into the new 500-bed Cooper hospital, for instance, the CAT scanner, radiation therapy, neurological instruments; these expensive things for which you need a large number of patients to keep that expensive service going all day.

The preliminary plans already envisions these will not be duplicated

in the veterans hospital. It is across the street in a connecting wing.

The Veterans did survey the need. The need is there for these 290,000 veterans.

We think that this is the most exciting thing going on in medicine in the Delaware Valley area and possible in the country because of the great, long unmet need in New Jersey. At last New Jersians realize it is there. The veterans are underserved.

The State has moved on it. The Cooper medical board, the medical school has commissioned a new medical school around this. They are beginning to fill the unmet needs.

The veterans and the President and the Veterans Administration have moved into this and you have heard before from many other people how this has moved ahead. I would say that the less than optimal medical care provided to the residents of South Jersey is of even greater concern to the veterans because many of the non-veterans can go to Boston, New York, someplace else for their medical care. Many, many of the veterans have to take what they can get or stay home and cannot afford to travel long distances, inconvenience, the long waiting lists and so on to go to distant veterans hospitals.

I think in my mind the veterans are underserved. I don't think there is any question about it. I think together the community has, by their bootstraps, figured out the way to do this. We need the veterans hospital as a part of this complex to serve the veterans besides whatever it may do economically for the community.

Thank you very much.

Mr. BOLAND. Thank you very much, Dr. Coriell. Your complete statement will be inserted in the record at this point.

[The statement follows:]

House Appropriations Subcommittee on HUD and Independent Agencies
Honorable Edward P. Boland, Chairman
April 12, 1978
Testimony of Lewis L. Coriell, M.D., Ph.D.

Mr. Chairman and members of the Committee, I am Lewis L. Coriell, M.D., Ph.D., Director of the Institute for Medical Research, a cancer research institute in Camden, New Jersey. I am a member of the Board and Chairman of the Long Range Planning Committee of Cooper Medical Center and professor of Pediatrics, University of Pennsylvania School of Medicine.

All citizens of South Jersey have been underserved medically for 200 years including the 290,000 veterans presently living there. This is easy to document and I will cite just a few items.

Physicians: There are 175 practicing physicians for 100,000 population in the U.S.

156 practicing physicians for 100,000 population in New Jersey.

122 practicing physicians for 100,000 population in South Jersey.

24.5 primary care physicians for 100,000 population in Camden.

Residency training: Most hospitals in South Jersey are not approved for training interns and residents and therefore do not have resident physicians in attendance on patients around the clock.

In all New Jersey, 74% of residencies are filled by graduates of foreign medical schools. American graduates select the best hospitals for their training.

Medical education: There is no medical school in South Jersey - although Cooper Hospital has been a teaching affiliate of Jefferson Medical College for 30 years.

South Jersey boys and girls who want to become physicians must go elsewhere.

Ongoing medical education of practicing physicians: There is no center of excellence in South Jersey such as a medical school to serve as a focus for postgraduate ongoing education of physicians, where full time personnel in research, teaching, patient care and community outreach can devote time to discovery and correction of the unmet medical needs of physicians and patients.

The Philadelphia based medical schools feel no obligation or financial responsibility for meeting such needs in New Jersey - nor should they.

Treatment of complex medical and surgical problems: In South Jersey we have had no centers of excellence and have exported patients who need tertiary care to Philadelphia. We export both our budding physicians and our patients to other states.

In colonial times, New Jersey was characterized as a barrel with a bung open at both ends. The bung is still open in South Jersey for health care, to the detriment of both veterans and non veterans.

Research: New Jersey attracts relatively little support for medical research. Take cancer for example. New Jersey has one of the highest cancer death rates in the nation but receives less then 1/5th the cancer research funds received by neighboring states with lesser cancer problems. Why does New Jersey fare so poorly? There are many factors, but primarily it is because we have not had medical schools in New Jersey for most of our 200 years of existence. Community hospitals do not have expertise, facilities and equipment, time and funds for research. Among the 50 states, New Jersey is 4th highest in combined federal taxes paid and 46th in federal grants received on a per capita basis.

All these deficiences in delivery of health care apply to veterans even more than to non-veterans - many of whom have funds for access to health services in Philadelphia, New York, Boston or elsewhere.

I am very pleased to report that after years of effort by many people all these deficiences in health care delivery have been recognized in New Jersey and steps have been taken to correct them.

A Regional Medical Complex for South Jersey is developing around Cooper Medical Center in Camden. A new 500 bed hospital will be completed in 1978. National Service Corps physicians will staff 4 or 5 family care clinics in the urban area. A regional mental health service has been organized and received federal funding. The state has approved and funded development of a medical education program at Cooper Medical Center which will in time correct all deficiencies mentioned above: i.e. undergraduate and postgraduate training of physicians and other health manpower, residency training, provision of tertiary and complex medical surgical services, research, and outreach programs into the South Jersey region. This has the support of the regional Health Systems Agency and state and local medical counties.

The Veterans Hospital will be an important part of this Regional Medical Complex. It will contribute to all the items listed above and at a reduced cost because it can share many of the expensive facilities already in the new Cooper Medical Center such as radiation therapy, cat scanner, cardiac surgery and catheter service, neurological institute, research expertise, etc. Its added beds and services will enhance the teaching benefit of both veterans and non veteran patients.

The long term, intermediate term and psychiatric care beds in the Veterans Hospital are desperately needed in this area. Some sources have questioned the number of acute care beds needed, however, V.A. surveys in 1974 and 1976 showed that the 290,00 veterans in S.J. are underserved for medical-surgical bids as well.

In summary, the development of the Regional Medical Complex for South Jersey in Camden is the most exciting development in the Philadelphia-South Jersey region for delivery of health care. This is because:

1) the need is so great and so long deferred;

2) the state legislature has at last passed legislation to create a medical school and medical center in South Jersey;

3) the Cooper Medical Center Board of Trustees has rebuilt the hospital and agreed to participate fully;

4) the College of Medicine and Dentistry of New Jersey has designated Cooper Medical Center as the core hospital of the S.J. Medical Education Program;

5) faculty and administrative personnel have been added to Cooper and have already attracted federal grant support for providing many needed health care services in the area. This is just beginning to fill the unmet needs;

6) after exhaustive surveys, evaluation by third parties, and competitive proposals, the Veterans Administration and President Ford selected the Camden-Cooper Medical Center site for a new Veterans Administration Hospital as the most economical and convenient way to serve the veterans of the Delaware Valley area and reap the benefits of a medical school affiliation.

On the strength of the committment to build a veterans hospital on the Camden site, the city, county, state and Cooper Board have committed many hundreds of thousands of dollars to prepare for and accomodate the demands of the Veterans Administration planners for integration of the VA Hospital into the Camden site.

Now, therefore, it seems utterly without merit or jusification at this late date to cancel construction of the Veterans Hospital in Camden. The medical reasons advanced for the cancellation by the GAO report do not contravene or

negate the previous studies by the Veterans Administration, or those conducted by the VFW, and local agencies such as the regional HSA, Penjerdel, business, labor and health agencies.

The less than optimal medical care provided to residents of South Jersey is of even greater concern to veterans and their families because if they cannot afford to go to their local community hospital, they can even less afford the long travel, expense, inconvenience and long waiting lists for access to care in distant veteran hospitals.

I, therefore, respectfully request that funding for the Veterans Hospital in Camden be reinstated into the budget for 1979 and would be glad to provide additional medical justification if desired.

Respectfully submitted,

Lewis L. Coriell

Lewis L. Coriell, M.D.,Ph.D.
Director,
Institute for Medical Research

LLC/jg

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We are pleased to have Dr. Lindsay Pratt with us who is affiliated with Cooper Medical Center in Camden, New Jersey. At one time he directed one of the departments of the St. Louis, Missouri Veterans Administration hospitals.

Dr. PRATT. Thank you, Mr. Chairman.

I will summarize my prepared statement.

I am here to address the problem of the medical needs of the veteran as I view it. I feel very qualified to do this. While at Western Reserve University in Cleveland I was a consultant at Cleveland Veterans Hospital.

In 1966, when I went to Washington University in St. Louis, I became in charge of the Veterans program for our medical school section.

In 1965 I accepted the professorship and chairman of the Department of Otolaryngology at the St. Louis, Missouri Veterans Administration Hospital.

Last year I agreed to go back to my home in Camden to get this medical institution off the ground.

I have not only a personal commitment to Camden, but I also have considerable experience with the medical needs of the veteran. It is my opinion that the private sector of medicine in the Cooper Hospital area of the Camden region will be unable to provide the medical needs of the aging veteran in the very near future, not only to hospital costs, but also for fee-for-service basis.

This is particularly true when the chronic disease factor is considered, because chronic disease is now going from an interdisciplinary approach, in other words, one physician, to multiple physician requirements.

As that happens the costs escalate.

Let's be realistic. Who is the population who seeks the service of the Veterans Administration Hospital? They are primarily the low-income group. I can think of no community that is in greater economic crisis and has a very high incidence of low-income veterans than the Camden Metropolitan Area.

I feel this to be a national concern, not only as an educator, but also as a physician, that we are going to run into a very serious problem with inflation and its aging population of the World War II and Korean veteran, not only having problems resolving their retirement plans, but providing for the essential medical care they are going to require.

There is no question in my mind that the need to deliver medical services to the veteran of the Camden area is of paramount concern to this issue.

I have heard so many times, well, the Veterans Hospitals are undersubscribed.

As I say, I spent my life in Veterans Hospitals. I think we must recognize that even though the veteran who seeks these services may be of the low-income variety, they are humans like you and I. They recognize a good service.

If you critically review many hospitals in the VA, hospitals that are undersubscribed, one, they have been built in an area that does not have the density population to support the services provided by an institution, or the veterans in that particular area do not have the economic necessity of securing veterans services. We, in the Camden area, have such a population density, as well as an economic need.

Furthermore, other programs that have not been successful have been programs divided between different medical schools. When this happens, there is no factor of accountability.

You know yourself whenever you lose the factor of accountability, you lose good care.

It is my opinion that with the Veterans Administration being associated only with the College of Medicine and Dentistry of New Jersey and no other medical institution, there will be a very strong factor of accountability so that the services provided to the veteran will be excellent, based upon the academic needs.

So, in summary, I do feel very strongly that the decision to cancel the Veterans Hospital should be reversed, not only because of the needs of the community and other points, such as economics, but also from the very best, to meet, in my judgment, the future aging veteran population of that area.

Thank you.

[The complete statement follows:]

STATEMENT OF LINDSAY L. PRATT, M.D.

Mr. Chairman and members of the Subcommittee on HUD and Independent Agencies, my name is Lindsay L. Pratt, M.D. I am chairman of the Department of Otolaryngology, Cooper Medical Center, Camden, New Jersey. I have directed the department of Otolaryngology at the St. Louis, Missouri Veterans Administration Hospital while a member of the full-time staff of Washington University Medical School from 1967 to 1975.

In 1977, I left Thomas Jefferson University Medical School in Philadelphia to accept an appointment as head of Cooper Medical Center's department of Otolaryngology to assist in the development of the new medical school in Southern New Jersey.

I am enthusiastic regarding the plans for the South Jersey Regional Medical Complex in Camden. In my view, the new State Medical School; rebuilt Cooper Medical Center with its specialized and regional medical programs; and the Veterans Administration's hospital and medical care program addressed the critical health, social and economic issues of our area.

I am distressed that six years of concerted and conscientious planning on the part of many public and private agencies in our community is about to be lost in the arbitrary and abrupt elimination of the Camden V.A. Hospital, a project which is absolutely vital to the area's health, welfare and economic well-being.

First, needed medical services will be provided to South Jersey's 290,000 and Philadelphia/South Jersey areas 700,000 veterans. The Veterans Administration's studies in 1974 and 1976 found major deficits in services available to South Jersey veterans. The Camden V.A. hospital and medical program had been designed to provide both acute and long term care in a balanced and cost effective manner to both inpatients and outpatients. The V.A.'s program is well conceived with regard to Veterans' medical care needs.

Second, the Cooper Medical Center has offered to cooperate with the Veterans Administration so as to eliminate duplication of facilities and share costly and scarce medical personnel. The V.A. and Cooper facilities will be physically connected. The approach is key to providing a single standard of high quality service and controlling costs.

Third, the Cooper/V.A. medical complex will serve as a clinical training facility for medical students and resident physicians. South Jersey has a significant shortage of physicians (122 per 100,000 population as compared to 175 per 100,000 in the United States). As fewer foreign born foreign medical graduates are licensed to practice in New Jersey based on the provisions of P.L. 94-484, the physician deficit in South Jersey will become more acute. The combined facilities of Cooper and V.A. will be a vital resource for training medical students and resident physicians and attracting physicians to establish their professional practices in Southern New Jersey. It is estimated that nearly fifty percent of resident physicians who train in the medical complex will stay in the general area for their professional practice. Therefore, the medical complex is a key factor in attracting the required supply of physician manpower.

Mr. Chairman, I ask that you and your committee unanimously support our move forward with the 1972 Congressional Authorization to construct a new

Philadelphia/South Jersey Veterans Administration Hospital. The Administration and Veterans Administration should be directed to immediately start the required planning and architectural design work for the V.A. hospital on the Camden site. Congress should be requested to fund the construction and operational programs at the earliest possible date.

I believe the Camden Veterans Hospital is justified for reasons which transcend the needed studies conducted by the Veterans Administration in 1974 and 1976. I will discuss three.

1. The immediate medical needs of the veterans in the area to be serviced by the hospital.

2. The future economic dependency of veterans within the region upon government assistance for their medical needs.

3. Due to the extremely high incident of cancer in the region and with the presence of a recognized research facility, the opportunity for research into cancer and other disease is excellent.

THE IMMEDIATE MEDICAL NEEDS OF THE VETERAN

Aside from the cost of transportation for veterans to travel great distances in order to receive their medical care, the moral issue as it relates to government's responsibility to the veteran is extremely important today. The veteran's attitude toward the government is at its lowest point in many years. They feel that they are being shortchanged and neglected.

The local veteran asks the question, "Why should I have to travel great distances at an inconvenience to myself and my family in order to receive medical care?" Aside from the inconvenience, such travel compromises the veteran's medical care due to the improper follow-up treatment.

Reliable studies by the Veterans Administration have defined the unmet medical needs of veterans in the South Jersey area.

To those who have objected to the need for the Camden V.A. hospital, several comments are appropriate.

(*a*) Their statements of an oversupply of private hospital beds in the region is incorrect. South Jersey has fewer than the national standard of 4 beds per 1,000 population of non-federal hospital facilities. (3.8 beds per 1,000 in South Jersey). Also, no veterans organization can afford to support the medical needs of the region's veterans in exisitng private hospital facilities.

(*b*) Statements that adequate medical care can be provided by the private practice sector within the community lacks documentation. Previous experiences with other financial assistance programs document that the medical care delivered by such programs to patients is less than optimum.

(*c*) Statements that cost to the veterans will not be excessive if local private hospital facilities are utilized for the veterans care cannot be documented.

Private hospital facilities emphasize patient convenience, privacy and service. A veterans hospital has multi-bed wards as well as self-care facilities that require ambulatory patients to obtain much of their medical services; i.e., go to the cafeteria for their food, go to x-ray, etc. No private sector hospital facility could provide such low cost care and survive in their community.

(*d*) Statements that the medical care offered to the veteran would not be improved if the V.A. hospital were built cannot be documented. As the proposed Camden Veterans Administration Hospital would be part of the College of Medicine and Dentistry of New Jersey, it would attract an academic staff whose concern would be education of the medical students, resident physicians and paramedical personnel. Accordingly, the delivery of the medical services to the veteran would be monitored relative to its excellence because of the associated educational program.

To those critics who state there are too many unoccupied Veterans Administration hospital beds, one must analyze the reasons for those vacancies. As I have previously stated, the majority of my career has been in academic life and much of it directing V.A. hospital medical care programs. Consequently, I am consciously aware of many of the reasons for failure of Veterans Administration programs.

Two of the most obvious are:

1. The underutilized Veterans Administration hospital was constructed in an area that did not have the population density or the economic need among its veterans population to support the hospital.

The Camden V.A. hospital will be located in the midst of a population mass as well as in a veterans population in economic crisis that will fully utilize the Veterans Administration facility, but presently and in the future.

2. Some Veterans Administration hospitals are poorly utilized because of inadequate medical services provided to veterans rather than a lack of numbers requiring the medical service. Two of the most common reasons for this are as follows:

(*a*) Failure to assign full time physicians to direct the clinical service programs. Accordingly, there is no accountability for the care delivered. Secondly, the dependence upon volunteer consultants who rarely "show up" and when they do exhibit little interest in their supervisory responsibilities is not helpful in developing active clinical programs.

(*b*) The V.A. hospital services have been divided in many cases between two or more medical schools. Accordingly, neither medical schools accepts responsibility for the services delivered. Again, the element of accountability is absent. Accordingly, programs which have multi-medical school participation are rarely successful clinical programs.

The Camden V.A. hospital will have a singular medical school affiliation.

THE FUTURE ECONOMIC DEPENDENCY OF THE VETERAN UPON GOVERNMENT ASSISTANCE PROGRAMS FOR THEIR MEDICAL NEEDS

In the immediate future, a very large segment of our population. World War II veterans and Korean War veterans, will be developing chronic illnesses. The private sector facilities will be unable to economically provide the necessary medical care to such a large segment of our population. As the increasing numbers of our veterans population age, their incidence of chronic illness increases. As has been repeatedly demonstrated, the cost of providing medical services to the chronic illness patient is very high.

Plans must be made to provide medical facilities to deliver acute as well as long term medical care to our aging veterans population. This is particularly true in the Camden, New Jersey area. This region has a large veterans population density whose economic base is and will be inadequate to provide the economic necessities of future retirement. These people will be unable to provide their medical needs particularly in the presence of chronic illness when their income stops. It is imperative that the Veterans Administration provide facilities to care for these aging veterans. This requirement will become a national issue in the very near future.

UNLIMITED OPPORTUNITY FOR RESEARCH IN CANCER

The Camden, New Jersey area has an extremely high incidence of cancer.

The Camden, New Jersey area is most fortunate to have an excellent, internationally recognized research group who have made excellent contributions in the field of cancer immunology.

The proposed Veterans Administration Hospital would offer the nucleus upon which structured protocols could be established which would provide information concerning cancer and other diseases that will be otherwise lost.

I believe the Veterans hospital in Camden is fully justified. I believe the Congress and two formed Administrations established a proper course for medical care to veterans in the Philadelphia/South Jersey area. I believe the Veterans hospital in Camden is essential to the provision of medical care for veterans and citizens of our region.

The dream of a medical complex in South Jersey was moving forward to reality until January 21, 1978. To my total disbelief, the President's proposed budget for F.Y. 1979 eliminated the new Veterans Administration medical facility in Camden. The action has destroyed a key element in our plan for a regional medical complex. It has made worthless both public and private the investment in Camden's plan for rebuilding and redevelopment. It has seriously impaired the city's effort to reconstruct its economy and community resources.

In behalf of the Medical Staff of Cooper Medical Center and the medical profession in South Jersey, I respectfully request that you reverse the decision to halt construction of the Camden Veterans Administration Hospital. Please reinstate the Camden Veterans hospital and direct the Veterans Administration to immediately begin planning and design work. Through partnership we can create a much needed Veterans hospital and regional medical center for all South Jersey residents.

Mr. BOLAND. Larry?

Mr. COUGHLIN. I appreciate all of you coming here. I appreciate your testimony which is certainly well-taken.

Let me say, Thatcher, again I apologize for the other day, when you were visiting my office and everything was very rushed. I did study the material you left with me, which was a good presentation.

I understand, and am impressed by, the fact that the Southern New Jersey HSA supports the development of this hospital. Is there any survey of which you are aware indicating the acute care hospital bed occupancy rate on the overall Delaware Valley area?

Mr. LONGSTRETH. Yes. The hospital survey committee, now the health services council of the area, has those figures, Larry. I haven't seen them. They are not for—I think they are for 1975. I think that's the latest that exist.

Mr. COUGHLIN. Could you provide those for the record?

Mr. LONGSTRETH. Yes, sir.

Mr. COUGHLIN. Nothing has concerned me in this area as much as the question of the Naval Hospital. At least from the rumors we can get, the Naval Hospital is going to be shut down. You have the question of shutting down the hospital on one side of the river and building a hospital on the other side of the river. How do you respond to that?

Mr. LONGSTRETH. I presume the reason the Naval Hospital is going to be shut down, if it is, is simply because of age and grade, and the fact people come in from all over the country to be served.

That's primarily a hospital for amputations, as you know. It is a very old hospital. I presume it is not as up-to-date or as modern as we would like to have it.

It seems to me that would be a replacement factor, putting a new hospital in, that is going to serve the people of Southern New Jersey versus one that is highly specialized, badly out-of-date, and actually serves people from all over the country, primarily for amputations which, when there is no war, is not a very serious thing.

Dr. CORIELL. May I comment on that? Hospitals become obsolete. Hospitals of 20 years ago no longer meet the requirements for size of beds, space, and so on. They don't qualify. Fire protection, all that sort of thing. In a hospital that old, it certainly does not meet the present requirements.

Congressman, could I make one more point?

Mr. LONGSTRETH. Excuse me, Doctor. Before we leave this point, I was handed something which I would like to get in the record. It is simply a pamphlet from the United States General Accounting Office which says "Philadelphia Naval Regional Medical Center has badly deteriorated and is unsafe." It goes on to talk about that particular factor.

We also heard in the last several years they have been phasing out the Philadelphia Naval Hospital in anticipation of the completion of the Camden Veterans.

It would be ironic, indeed, if they phase the one out and don't build the other, and we end up with nothing.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Thank you, Drs. Coriell and Pratt.

Thank you, Thatcher Longstreth for your appearance here.

We are grateful to you for sharing with us the knowledge and the opinions and the interest you have in this area.

Thank you very much.

The Committee will stand adjourned until 10:00 o'clock tomorrow morning.

WITNESSES

HON JOHN M. MURPHY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

HON. ROBERT LEGGETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. ALEXANDER. The Subcommittee will come to order.

The Chairman, Mr. Boland, could not be here this morning because he is at a Full Committee markup of the Committee on Intelligence, and asked me to preside in his absence.

We welcome our colleagues from the Congress at the hearing this morning. The first to be recognized is the Honorable John M. Murphy of New York.

Mr. MURPHY. Thank you, Mr. Chairman. I appreciate the opportunity to be here. I have a detailed statement which I would like to submit for the record at this point, and summarize.

Mr. ALEXANDER. It may be submitted.

[The complete statement follows:]

STATEMENT OF THE HONORABLE JOHN M. MURPHY, CHAIRMAN
OF THE COMMITTEE ON MERCHANT MARINE AND FISHERIES,
BEFORE THE SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES
OF THE HOUSE APPROPRIATIONS COMMITTEE

THURSDAY, APRIL 13, 1978

Mr. Chairman, this statement is presented on behalf of my Committee on Merchant Marine and Fisheries and its Subcommittees on Fisheries and Wildlife Conservation and the Environment and on Oceanography regarding three matters which fall within their jurisdiction and the jurisdiction of your Subcommittee. These are funding for the Council on Environmental Quality and the National Science Foundation. The Chairman and Ranking Minority Member of these Subcommittees, Congressmen Leggett, Breaux, Forsythe and Pritchard, join me in presenting this request.

Despite its small size, the Council on Environmental Quality is charged with many diverse tasks relating to our country's environmental health. It acts as the principal advisor to the President in matters concerning environmental issues, and has the responsibility of informing and educating the public about methods for protecting and enhancing our environment. The Council assists in coordinating the environmental review requirements of Federal programs, and develops recommendations

for simplifying and consolidating these requirements.

Most importantly, Mr. Chairman, the Council has the monumental duty of monitoring the effectiveness of the National Environmental Policy Act, a landmark environmental measure developed by my Committee in 1969 which, more than any other single piece of legislation, has forced our Government to include consideration of environmental factors in its planning. It does not prohibit such actions, it merely assures they will be carried out in the most environmentally sound fashion.

This Act created the Council on Environmental Quality and provided funding for it at a constant level of $1 million for each year after fiscal 1972. This authorization is still in effect. Subsequently, under the Environmental Quality Improvement Act, an Office of Environmental Quality was created to provide professional and administrative staff for the Council. The authorization for funding for the Office of Environmental Quality (CEQ) expires at the end of September, 1978.

By Executive Communication, the Administration recommended that the OEQ authorization be extended, providing funding for fiscal 1979 in the amount of $2,126,000. Following hearings and on the basis of the best available evidence, my Committee reported H.R. 10884 to extend the OEQ authorization for three years, thereby providing funding for fiscal 1979 in the amount of

$3 million. That bill passed the House of Representatives on April 10. We strongly urge that your Subcommittee provide the full amount of $4 million which is authorized to be appropriated under the two Acts to enable the Council on Environmental Quality to adequately fulfill its duties and responsibilities, which are as follows:

to provide the President, the Executive Office of the President, and Federal agencies with policy advice on environmental matters and to develop new environmental initiatives for the President;

to improve the quality of information on environmental conditions and trends and to help make such information more useful in national policy making;

to work with Federal agencies in order to advance the goals of the National Environmental Policy Act;

to promulgate regulations that implement the procedural provisions of the National Environmental Policy Act;

to improve understanding of the economic impacts and benefits of environmental programs;

to help assure that the development of natural resources is accomplished in an environmentally acceptable manner;

to assist in coordinating Federal programs with statutory environmental review requirements and to develop recommendations for simplifying and consolidating environmental review requirements;

to assist the analysis and resolution of the long-term environmental problems facing our Nation and the world;

to inform and to educate the public about environmental issues and about methods for protecting and enhancing our environment.

More specifically, in the past year, the Council developed the President's 1977 environmental message which was issued in April 1977, conducted a series of public hearings and issued a report concerning alternative routes for an Arctic natural gas pipeline and undertook a series of new tasks assigned to it by the President in his environmental message.

Despite its broad statutory responsibility and newly assigned additional tasks, the Council has been allocated only 32 permanent staff positions for the current fiscal year which is a reduction of 33 positions from its largest size in 1972. Because the Council lacks the staff required to fully perform its responsibilities concerning environmental quality it conducts much of its research and assessment

of environmental issues with the assistance of outside consultants and research institutions. Studies recently completed by the Council include assessments of environmental issues associated with energy development, hardrock mining, air quality, coastal zone management, environmental data gathering, toxic chemicals and wildlife conservation.

The Government does have a number of environmental agencies, Mr. Chairman, but CEQ is the only one which attempts to make sense out of the hundreds of programs affecting our environment. Its goal is a more effective, less wasteful and more environmentally-conscious Federal system. I hope your Committee will support this goal by providing the full $4 million appropriation authorized by my Committee, which we believe is the minimum needed to enable the Council to continue to fulfill its obligations to present and future Americans.

NATIONAL SCIENCE FOUNDATION:

Next, Mr. Chairman, we should like to bring to your attention a measure which was recently reported to the House by my Committee and is currently under consideration by the Science and Technology Committee. H.R. 7749, the Antarctic Conservation Act of 1978, was introduced at the request of the Department of State. It would provide

for the conservation and protection of the animals and plants in Antarctica and of the ecosystems upon which they depend, consistent with the provisions of the Antarctic Treaty, the Agreed Measures for the Conservation of Antarctic Fauna and Flora, and Recommendation VIII-3 of the Eighth Antarctic Treaty Consultative Meeting.

The legislation directs the Director of the National Science Foundation to establish a permit and regulatory system to control the taking of plants and animals native to Antarctica, the introduction of nonnative species into Antarctica, the disposal of pollutants in Antarctica, and the activities of United States citizens in certain areas of Antarctica.

Antarctica, the continent lying concentrically about the South Pole, has an area of approximately 5.5 million square miles. Approximately 98 percent of this area is covered by a massive sheet of ice having an average thickness of over one mile. At its thickest, the ice is 2.8 miles in depth and contains approximately 90 percent of the world's fresh water supply.

Antarctica contains a unique and important variety of plants and animals. On the continent itself, a variety of primitive soils provide nutrients to sparse vegetation consisting mostly of algae, fungi, lichens and mosses. These 700 species of plants provide food for over 200 species of invertebrates and other simple terrestrial

organisms. Antarctic marine life, on the other hand, is much more abundant.

Antarctica's waters are nutrient rich and produce phytoplankton blooms which form the principal basis of a simple food chain. Central to this food chain are krill, which are small shrimp-like organisms. Krill congregate in large swarms facilitating the feeding of 50 species of birds, six species of seals, and many species of whales and squid. The waters surrounding Antarctica are frequented by five major species of large whales--the blue, fin, sei and humpback, which are baleen whales; and the sperm, a toothed whale.

The Antarctic Ocean also supports a large population of seals and seabirds. Although these species are ocean oriented, the birds, of which the penguins are the dominant group, and two species of seals, use the land for breeding purposes.

Between 1920 and 1941, seven nations (Argentina, Chile, the United Kingdom, Norway, Australia, France and New Zealand) claimed sovereignty over wedge-shaped sections of Antarctica. The United States, which has asserted no jurisdictional claims in Antarctica, does not recognize the claims of other nations. In 1959, the seven countries making claims in Antarctica together with the United States, Soviet Union, Japan, South Africa, and Belgium became signatories to the Antarctic Treaty. Since then, Poland

has become a full member of the Treaty and six other nations have acceded to the Treaty: Czechoslovakia, Denmark, the Netherlands, Romania, East Germany, and Brazil.

The Treaty provides that the area south of 60 degrees south latitude will be used only for peaceful purposes. Nuclear explosives and disposal of nuclear wastes in Antarctica are prohibited.

At the Third Consultative Meeting of the Member nations, in 1964, certain recommended measures to preserve and protect the plants and animals in Antarctica, which were recommended by the United States, were agreed to by the consultative countries. These so-called "Agreed Measures for the Conservation of Antarctic Flora and Fauna" would limit the taking of native species of plants and animals, control the introduction of non-native species into Antarctica, regulate the disposal of pollutants in Antarctica, and provide for the protection of certain areas in Antarctica.

The National Science Foundation (NSF), which has primary responsibility for United States activities in Antarctica, has adopted the terms of the Agreed Measures and Recommendation VIII-3 as interim guidelines. By letter of May 23, 1977, the Department of State requested enactment of H.R. 7749 because of the lack of statutory authority to enforce the guidelines and because of the

increasing public interest and activity in Antarctica. Legislation was proposed because it was thought to be necessary to control the activities of U.S. citizens in Antarctica. In this regard, it should be noted that there is a growing international interest in exploiting what many people believe to be the significant natural resources of Antarctica.

The Department also noted that although it was the United States that initially recommended the adoption of the Agreed Measures, the United States has not yet approved these measures as regards its own citizens. The Department of State believed that enactment of the bill would eliminate this anomaly and would underscore the commitment of the United States to the protection of Antarctica's unique environment.

H.R. 7749 authorizes to be appropriated such sums as may be necessary to carry out its purposes for fiscal years 1979, 1980 and 1981. After comparing and analyzing the information supplied by the Federal agencies and their representatives and the Congressional Budget Office, we estimate these costs will be $15,000 for fiscal year 1979 and $5,000 for each of the fiscal years 1980 and 1981. No additional personnel or contracting requirements are expected as a result of the legislation. Mr. Chairman,we ask that $15,000 be included in the appropriations for the NSF for fiscal year 1979 to cover the cost of

this important program.

Finally, Mr. Chairman, I wish to call to your Subcommittee's attention one other matter of particular concern to our Committee. The President's FY 79 Budget requested $4.2 million for the initiation of studies necessary to determine the economic and technological feasibility of converting the vessel GLOMAR EXPLORER for purposes of deep ocean research. As you may recall, the GLOMAR EXPLORER was constructed at enormous expense by our Government to retrieve a Soviet submarine from the ocean floor in the Pacific. It has not been utilized since that time, even though it has a superior capability for deep ocean research work. The Science and Technology Committee approved only $1.0 million of the Administration's request in their NSF authorization bill, H.R. 10686. Unfortunately, this latter amount does not provide NSF with the flexibility they need to do a proper evaluation.

Our Subcommittee on Oceanography held hearings on April 5th on the oceanography aspects of the NSF authorization bill, H.R. 11460, a bill jointly referred to the Merchant Marine and Fisheries Committee and the Science and Technology Committee. During those hearings, it was stated that a one-year delay in proceeding with the

26-648 O - 78 - 25

Ocean Margin Drilling Program for which the EXPLORER would be converted could cost the taxpayer as much as $28 million. Failure to begin the feasibility studies this year at an adequate level would make such a delay inevitable and mean that NSF might have to make a decision on a proposed ten-year $450 million Ocean Margin Drilling Program without adequte information.

It is my understanding, Chairman Breaux will be offering an amendment to H.R. 10686 when the bill comes up on the Floor to reinstate the Administration's request for the additional $3.2 million that is required for these feasibility studies. Chairman Breaux regrets that other obligations prevent him from being here this morning to discuss this issue with you, but does feel it is important.

The additional $3.2 million requested by the President would be used to conduct detailed engineering studies to determine the type of drilling string and well support system necessary for use with the EXPLORER. This engineering survey is necessary if a complete evaluation is to be made.

The EXPLORER is currently the only vessel that could be fitted with the capability for the kind of deep ocean research envisioned in the proposed Ocean Margin Drilling Program. This research could prove invaluable in the effort to improve our knowledge of the Earth's geological

history, geological behavior, and the resources (including petroleum) lying under the continental margins and the deep seabed. I might add that the cost of putting the EXPLORER into mothballs and taking it out again, something we opposed all the way, far exceeds the cost of the feasibility studies the President is requesting. In any case, it is a shame for us to waste a scientific resource so valuable as the GLOMAR EXPLORER.

We therefore strongly urge that the full $4.2 million requested by the President and NSF be appropriated for the proposed feasibility studies on refitting the GLOMAR EXPLORER. This $4.2 million figure was included in our Committee's submission to the Budget Committee.

Mr. Chairman, we greatly appreciate the opportunity to present these views and sincerely hope that our recommendations will receive your Subcommittee's favorable consideration.

APPENDIX I

CHART ON FEDERAL BUDGET TO ACCOMPANY
STATEMENT OF THE
HONORABLE JOHN M. MURPHY
BEFORE THE HOUSE APPROPRPRIATIONS SUBCOMMITTEE
ON HUD-INDEPENDETT AGENCIES

PROGRAM	PRESIDENT'S REQUEST	REP. MURPHY'S RECOMMENDATION
1. Council on Environmental Quality (CEQ)	$1,000,000	$1,000,000
Office of Environmental Quality (OEQ)	2,126,000	3,000,000 (+874,000)
2. Antarctic Treaty (National Science Foundation)	-0-	15,000 (+ 15,000)
3. GLOMAR EXPLORER (National Science Foundation)	4,200,000	4,200,000
Total add-ons requested		$ 889,000

Mr. MURPHY. Mr. Chairman, my statement is presented on behalf of my Committee on Merchant Marine and Fisheries and its Subcommittee on Fisheries and Wildlife Conservation and the Environment and on Oceanography regarding three matters that fall within their jurisdiction and the jurisdiction of your Subcommittee.

One of these matters involves funding for the Council on Environmental Quality and the other two involve funding for the National Science Foundation.

The Council on Environmental Quality was created in 1969 as a result of legislation developed by my Committee. The National Environmental Policy Act, which provided for the creation of the Council, authorizes $1 million per year to be made available to the Council for carrying out its functions.

In 1970, under the Environmental Quality Improvement Act, the Office of Environmental Quality was created to provide professional and administrative staff for the Council. The authorization for the Office of Environmental Quality expires at the end of September 1978.

The Administration, pursuant to an Executive Communication, is requesting $2,126,000 for the Office of Environmental Quality for Fiscal Year 1979, and such sums as may be necessary for Fiscal Year 1980.

We recommend $3 million. The President request amounts to a cut of $874,000, which is about 30 percent of their budget. A cut of that magnitude would virtually cripple the Office of Environmental Quality, which we feel has certainly merited its existence and the programs and functions that it has embarked upon.

On the Antarctic Treaty, we are asking for $15,000, which is not the smallest request, but close to the smallest request the Subcommittee is going to be faced with probably this year.

The National Science Foundation is required to establish a system to control the taking of plants and animals that are native to Antarctica, the disposal of pollutants in Antarctica, and the activities of United States citizens in the areas.

Mr. ALEXANDER. Is that a continuing program in Antarctica, or is that something that is being initiated for 1979?

Mr. MURPHY. It is for 1979, 1980 and 1981, and is something that couldn't be done on a yearly basis. We authorized it for three years. It is a vital program.

We will be back later with other vital programs. In fact, I testified on our Southwest Pacific fisheries program where, with a modest sum, we have an American presence in a fishery worth several hundred thousand tons of protein.

The other item is the GLOMAR EXPLORER. The request is for $4,200,000. The GLOMAR EXPLORER, of course, is the vessel that was outfitted to raise a Russian submarine from the very deep ocean. We feel that this request is vital to science programs that are ongoing in the deep oceans.

Just this morning, earlier, I testified before Ways and Means to ask them to continue deliberation and finish deliberation this month on the revenue sharing elements of deep ocean mining.

We will bring to the floor in about a month a deep ocean mining item that will, I think, be vital for the metallurgical future, the pricing future of metals to the United States and, of course, the availa-

bility of those metals on a competitive basis to the United States and other free-world countries.

If we don't put this modest amount of money into research on the explorer we have had testimony from the Administration it would cost probably $28 million in just losses this year.

The seas, the oceans, the ocean floor, the continental shelf, the continental slope are probably the last frontiers that must be developed. This is the United States Government's really only tool for deep ocean development.

Mr. ALEXANDER. Where is the EXPLORER now?

Mr. LEGGETT. In my district.

Mr. MURPHY. It is staying as comfortably as it can off the California coast.

That concludes my testimony.

Mr. ALEXANDER. Thank you very much, Mr. Murphy. Your statement is not only clear and convincing to me, as one who shares your dvelopment in oceans as the last frontier.

Mr. Traxler?

Mr. TRAXLER. I was just thinking of some questions we asked EPA early on this year. Some of those the Chairman asked went to whether or not the Council on Environmental Quality would be transferred out of the Executive Office and attached to some other line agency, perhaps. What do you see happening here?

Mr. MURPHY. What we see here is probably a bureaucratic way of trying to cut back on the Council on Environmental Quality without a reorganization plan coming properly before the Congress.

We have authorized programs and we have ongoing programs for which this modest sum is necessary for their continuation.

If we cut a third, or 30 percent, out of their budget, that virtually denudes them of funds for continuing programs that they are working on.

Mr. TRAXLER. Thank you, Mr. Chairman.

Mr. ALEXANDER. Thank you very much, Mr. Murphy.

Mr. COUGHLIN. Let me just ask: $15,000 on the Antarctica program? That runs the whole program?

Mr. MURPHY. That's it.

Mr. COUGHLIN. You hardly sneeze around here for $15,000.

Mr. ALEXANDER. Sounds like a bargain.

Mr. MURPHY. I think you should go down to the Antarctic and see how this program goes during the next four years.

Mr. ALEXANDER. I accept.

Thank you very much, Mr. Murphy.

Our next witness is my very good friend from California, Mr. Robert Leggett.

Mr. LEGGETT. Thank you, Mr. Chairman.

My testimony is likewise very uncomplicated. I support everything Chairman Murphy said. We have got the Council for Environmental Quality under the chairmanship of Charlie Warren from California. It is probably one of the smallest agencies in the government. Thirty-four people is their total complement including secretaries, et cetera. Obviously they could do all kinds of things and they could use 234 people down there as a practical matter with which to do those things.

We have cut them from some 65 people down to 32, not intentionally, but that is where they came out as we emasculated budgets over the past three or four years.

We feel that the purpose of the CEQ is well intended. That agency has taken on some of the things that they might well have considered. You know every time you say "terminate a military base" you have to have an environmental impact statement.

Well, it makes sense to have environmental impact statements when you construct a military base, but when you are getting rid of a base, many argue that to require an EIS is really just a delaying tactic. They really ought to develop proper regulations in the subject area so as to avoid a lot of expense over in the Department of Defense.

I can tell you that environmentalwise, we never intended that these environmental standards be used as a criteria for closing military bases.

So I think that they can use the $874,000 that we are asking for them. It would be not a very ambitions augmentation that you might make, but I think it would be very well considered.

The $15,000 for the Antarctic treaty again is merely to finance something we have been doing on a continuous basis. We entered into this treaty some 18 years ago. We just recently reported enabling legislation to further participate in the program there.

There are many things to do in Antarctica that could take a lot of money. We would like to send a research ship there to do some very substantial exploration. The bottom line on that is that we can produce as much tonnage of krill out of Antarctica as we get from all of the rest of the seas in the world combined on an annual basis.

Mr. ALEXANDER. Why haven't we?

Mr. LEGGETT. Krill doesn't taste too good.

Mr. ALEXANDER. Why didn't we send the ship?

Mr. LEGGETT. We don't have it. Besides, the Soviets are down there. We don't like to be a mirror image of the Soviets in every single thing. They discussed this krill fishing. They make it into a paste; it's good protein and good for underdeveloped people. It ought to be a part of our foreign aid program, I think. We ought to go into that fishery, but before we do that, we don't want to see the continent of Antarctica desecrated. We should implement the treaty, place a moratorium on the taking of plants, drilling, and miscellaneous kinds of other things.

The GLOMAR EXPLORER has a tremendous capability. I think I know why the Science and Technology Committee funded only a part of the request. I suspect the reason is because the program is to use it just for drilling for oil. This is a $500 million ship. It sits in Venetia harbor. It has a chopper pad on it. It's huge. It can, in fact, draw on board half of a normal submarine and maybe more through panels in the bottom of the ship.

Mr. COUGHLIN. How do we handle the fact only $1 million is authorized?

Mr. LEGGETT. As I understand it, Mr. Breaux intends to offer an amendment to the authorization bill. How far he gets on that, I don't know. Obviously you can't appropriate more than is authorized. All we are asking you to do is watch it and——

Mr. COUGHLIN. Why did the Authorization Committee cut the authorization back from the request?

Mr. LEGGETT. The GLOMAR EXPLORER can be used for a lot of things besides drilling for oil. To begin with, it's not an oil driller. It's not a nodule collector. It has a capability of doing extremely good reconnaissance at a depth in excess—well, in excess of 15,000 feet. We have lots of ocean with lots of things that ought to be looked at all over the world. We have always said that the ocean's bottom has got to be considerably more provocative than the moon's behind. We ought to be spending more money on programs like this.

The GLOMAR EXPLORER was a good program, but when the CIA broke their cover on that, they became so nervous over it that they just threw up their hands. The GLOMAR EXPLORER is the greatest scientific discovery over the past 50 years.

Mr. COUGHLIN. Why did the Authorization Committee cut it back?

Mr. LEGGETT. They were going to convert the ship, but instead they chopped it up, getting rid of the claw and some of the other exquisite capability.

Maybe Mr. Forsythe can respond to your question.

Mr. FORSYTHE. While it is true the hydrocarbon research can be part of the Glomar, that has not been the emphasis. It is to put it back into shape to do real deep ocean drilling in waters up to the depth of 12,000 feet to 15,000 feet down into the subsurface.

Mr. LEGGETT. That's still drilling.

Mr. FORSYTHE. It is this continuation of trying to look at what is down in that crust in terms of all kinds of mineral development beyond the oil resources.

I think the thing that happened was that the Administration really just hadn't fully developed the total program before the amendment. The Committee figured this million dollars would be enough to do the study work towards putting it in use. And then—as the chairman says—the subcommittee of which Mr. Breaux is chairman and I am a member of, heard testimony as to what this would cost if we did not move with the $4.2 million in terms of delay time, which would cost us far more in the long run if we are ever going to use that boat and really find out what is down in those kind of depths.

To say it is just oil is very limiting. It goes far beyond that. If it has to go back into mothballs, that alone would cost more than this difference we are talking about.

Mr. ALEXANDER. Mr. Forsythe, as you know, I am very interested in and an advocate of ocean exploration, oceanographic engineering; and I think that the time has long since passed that our government should have developed an oceans policy.

All of us are laboring from a poverty of policy in that field, and the Congress has taken the initiative always in providing what oceans policy we do have. Do you think it would be wise at this point to add these funds in view of the fact that we have promised an oceans policy?

Mr. FORSYTHE. Oh, yes, very, very much. Again, the authorization is a matter of this amendment. Mr. Breaux will be offering the amendment to increase the funding to $4.2 million.

Mr. TRAXLER. In regard to your authorization problem, if the authorizing committee were to request, we could ask for a rule to wave the—but we would only do that, of course, if they were to request and have their support.

Mr. LEGGETT. Supplementing what Ed has said, as you know, we used the other Summa ship, the *Glomar Challenger.*

We have drilled, roughly, a thousand holes around the world. That's in a voluntary co-op with the major developed countries, Russia, Japan, Britain, I think, France, and Germany. They all participate in that. What they determined is that there's lots down there besides just oil.

They determined that probably the continents were once joined, that the fossil findings on the coast of South America, on the east coast and the west coast of Africa are very similar, and that the tip of India and a major bay down in Antarctica again are similar which indicates all of this land mass was fused at one point.

So they do have some limited depths they can go to. They also have determined that the subterranean ridge is not really a ridge. It is the evolving land mass. It comes up to the Azores on a 400 million year cycle.

Mr. ALEXANDER. We have much to look forward to in the development of the ocean.

Mr. Traxler, any further questions?

Mr. TRAXLER. No.

Mr. COUGHLIN. No.

NSF–U.S. ANTARCTIC PROGRAM

WITNESS

HON. EDWIN B. FORSYTHE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. ALEXANDER. Let me recognize my neighbor and friend in the Cannon Building, Mr. Forsythe, for his statement.

Mr. FORSYTHE. Thank you, Mr. Chairman.

I would just like to say that I do support the testimony of both Mr. Leggett and Mr. Murphy fully; and to supplement, particularly on the $15,000 which looks almost silly in terms of a request, but really what has happened, in addition to what Mr. Leggett said, we did become a part of this treaty in 1959. We never supplemented it through legislation or direct appropriation.

It has been funded, because, through basically the National Science Foundation, it has controlled everybody who has been down there.

But there is now a tourist movement starting in the Antarctica; so now we must be in a position to enforce the treaty and to be able to have a handle on tourist traffic in Antarctica.

You wouldn't qualify as a tourist if you went down there, but it is important to implement the treaty.

This is just really the administrative costs of that.

Mr. ALEXANDER. Mr. Traxler?

Mr. TRAXLER. No questions.

Mr. ALEXANDER. Larry?

Mr. COUGHLIN. No questions.

Mr. ALEXANDER. Thank you very much, gentlemen.

WITNESSES

HON. JAMES JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO
ALVIN B. THOMAS, MAYOR, CITY OF NORTHGLENN, COLO.
ADOLPH BOHLENDER, PRESIDENT, THE FARMERS RESERVOIR & IRRIGATION CO., BRIGHTON, COLO.

Mr. Traxler. Good afternoon. The Honorable James Johnson, Colorado, is here along with the Mayor of Northglenn, Mr. Thomas.

Mr. Johnson. We have Mr. Bohlender and Mayor Thomas and Mr. Schwartz, their lawyer.

Mr. Traxler. It is my understanding Mr. Evans may join us shortly.

Mr. Johnson. I usually don't want to take your time, the time of these Appropriations Subcommittees, by reading the statement. However, I think in this case it would be appropriate. We are having so much trouble in trying to get the will of Congress fulfilled.

Mr. Traxler. We will make it a part of the record, but please proceed in any fashion you wish.

Mr. Johnson. I would like to review the way this has come about, and the necessity for the full funding of Section 5(a) of Public Law 95–155. It was approved and signed into law last year with regard to the use—the reuse of municipal wastewater as drinking water.

Specifically, I am here to request an appropriation of $10 million for an agricultural water reuse program developed by the City of Northglenn, Colorado.

Last year we were successful in obtaining House and Senate approval of the language contained in Section 5(a). The section directs the Administrator of EPA to offer cost-sharing grants for projects which demonstrate a new or improved method, approach, or technology for providing a safe and dependable supply of drinking water, as well as to demonstrate the health and water conservation implications of reclaiming, recycling and reusing wastewaters for drinking water.

As you recall, also last year this Subcommittee included language in its report on Public Law 95–119, the FY 78 HUD-Independent Agencies Appropriation Act, which directed the EPA Administrator to allocate "an appropriate level" of funds from the EPA R&D account for the potable reuse demonstration program.

As the EPA testified before this Subcommittee on March 1, 1978, it has not complied with the directive contained in P.L. 95–155, with the directive contained in the report of this Committee on the FY '78 HUD-Independent Agencies Appropriation Act.

EPA officials said, in effect, not only have they not complied with those directives, but they have no intention of doing so, unless specific funding is provided.

In other words, the directive is not enough. Along this line, Mr. Chairman, someone last year said this is a good news-bad news type of program. The bad news is we are going to start recycling wastewater and drinking it; the good news is there isn't going to be much of it.

Also at the March 1st hearing, EPA stated that it was not proceeding as directed by Congress regarding the potable reuse demonstration

grant program, because of the lack of existing potable wastewater health standards guidelines.

It was indicated that it may be as long as two more years before such guidelines are developed. As a result of that testimony, I sent a letter to EPA Administrator Douglas Costle, pointing out that such demonstration projects are specifically designed to assist in determining—as the authorizing legislation specifically states—the health implications involved in the reuse of municipal wastewater for drinking water.

In addition, such demonstration projects also serve to help prove the technology, which the EPA has previously given as a reason for not proceeding with the municipal wastewater potable reuse demonstration grant program. I asked Mr. Costle for some better justification for not proceeding, but I have not yet received a reply to my letter, some six weeks later.

Mr. Chairman, today the House is considering H.R. 11302, the EPA R&D FY 1979 Authorization Bill. The legislation continues the wastewater reuse demonstration grant program contained in Section 5(a). In addition, that section has been slightly amended to provide additional flexibility in demonstrating potable reuse methods and technology.

The change continues the existing program and provides additional language to ". . . allow funding of a demonstration in which a city might intercept high-quality water destined for agricultural use, use the water in a city drinking water system, and then after sufficient treatment, return it for the agricultural use for which it was originally intended."

I also anticipate that an amendment will be approved on the House floor which will speak to EPA's use of the lack of existing health standards guidelines as a basis for not proceeding with the potable reuse demonstration program as directed by Congress.

Just as last year, $25 million is authorized for Section 5(a). I remind you that EPA has not spent any amount of money for potable reuse demonstration grants under the legislation which was signed into law last year, nor for the previous three years when a similar authorization was contained in the Safe Drinking Water Act.

I believe the time has come for the Congress to support its stated programs and directives contained in the authorizing legislation and appropriation report language by providing specific funding for this program.

I don't know how else we can do it. There is an argument within the EPA that we somehow can't get around. Some people are for it; some people are against it. As a matter of fact, it was as a result of reading some of the EPA material that I originally got started on this, and thought it might be a solution for some of our problems.

More specifically, the change made in the FY '79 EPA R&D legislation regarding Section 5(a) contains the authority for inclusion of the agricultural water reuse program being developed by the City of Northglenn. Representatives of the city and local agricultural irrigation association will discuss the Northglenn project in more detail shortly.

In summary, the Northglenn program represents a unique coalition of farm and city water resource interests in the development of a comprehensive program to benefit all concerned. Instead of the city con-

demning agricultural irrigation water, which is a problem in the West, the City of Northglenn is working in cooperation with the Farmers Reservoir and Irrigation Company to meet the water resource needs of this rural-urban area.

Under an agreement entered into by the city and the irrigation company, the city plans to divert water owned by the irrigation company to Northglenn, where the water will be treated and delivered for domestic use. Then the nutrient-enriched water will be treated, stored and returned to the farmers for irrigation of croplands.

The amount of water returned for irrigation purposes includes not only the water consumed for domestic use, but also a 10 percent "bonus" which will be obtained from runoff and from deepwater wells which the city proposes to develop.

The result of this cooperative approach to positive water resource management is the use of the irrigation water for domestic and agricultural purposes, without drying up irrigated farmlands, some 40,000 acres of which is threatened if condemnation is undertaken.

In addition, Northglenn officials say the city would be guaranteed an adequate supply of water under its own financial and quality control; the goals of P.L. 92–500 would be met at minimum expense, including nonpoint source discharges; land application of municipal waste would reduce sewage treatment costs and provide added nutrients for irrigated croplands, and area farms would have additional storage facilities and a more reliable and larger supply of irrigation water.

Last year the voters of Northglenn approved by a two-to-one margin a $31-million bond issue to help finance this project. The program has received the support of the governor of Colorado, most of the Colorado Congressional delegation, and President Carter expressed his specific interest and support for the Northglenn water recycling concept during his visit to Colorado last year.

The City of Northglenn is among many cities in the West which are making every effort to develop methods of making the best possible use of scarce water supplies. The Northglenn water recycling and management program is a positive and major step in that direction.

Scarcity of water is a problem which is national in scope. Last year when the amendment was introduced, I was surprised at the extent of the support we received for this concept of developing a recycling use.

People from New York: I think Tom Downing spoke in favor of it. People from California, Mr. Panetta. Somebody from Ohio as I recall, spoke also. There is a growing need for this kind of program in the areas of the country which aren't as short of water as we are in the West.

In that respect and on the merits of the unique and cooperative approach demonstrated in the Northglenn project, I believe the project deserves the support of this Committee and of this Congress.

In summary, I am requesting that the Subcommittee act to fund the potable reuse demonstration grant program to its full authorization of $25 million for FY 1979, with adequate report language to insure that the EPA will no longer put this program on the shelf in defiance of the will of the Congress.

Of the $25 million, I request that $10 million be earmarked for the Northglenn, Colorado water reuse management program to serve as a national water resource management model, and to provide a sound

basis for future national policy regarding the most effective use and reuse of our scarce water supplies.

Thank you.

Mr. JOHNSON. Mr. Chairman, I don't find what we regard as an adequate recognition here in the eastern part of the United States, the wet part of the country, for the problems of a country that has an average rainfall of around 10 inches.

If you don't capture the water early in the year when the runoff comes, you don't have it later on in the fall.

It was funny that when we started to have water problems over in Fairfax County we said we know what they are going to do; they will tap the Potomac River. That seems to be the solution that Washington Post and other people who write about western water problems, they say tap the Colorado River, tap the Platte; there is no water there. That is the reason for the impetus behind all our storage projects out there.

Storage projects are being killed or are inadequate or run into environmental difficulties.

This kind of a reuse project, along with the others that we hope will be developed, seems to be the only answer if we are going to continue to have population growth that has a desirable feature of enough water, nice yards.

If you ever go out to that area of Colorado, I think you will recognize that water is the key.

I will close with this illustration: one time I had a professor from Rochester, New York driving around with me. He was writing a political science piece. He had done some study about the western water problems, but had never been in our part of the country before.

As he was traveling around with other urban Congressmen, he chose my district because of its water problems. We were driving in an area that didn't have any irrigation, didn't have any water applied to the land. It was flat, dry, brown. It looked terrible.

We came across the line where irrigation occurs and the difference between the land where it is irrigated and where it isn't is just about lke the color or this table, where the felt stops and the wood commences.

He said, "For the first time, I have understood what all the water problems in the West are about."

It is that dramatic, that significant.

The fight between the cities to try to provide enough water without taking water away from the farmlands that are surrounding them is one which is almost insoluble unless we have some approach such as the people in Northglenn have developed.

I think without taking too much time, I would like to introduce these gentlemen, and explain something about their backgrounds to you. Then they can make their presentations.

Mr. Schwartz is the lawyer for the City of Northglenn. He has been actively involved in a number of water problems in Colorado. He speaks with a broader knowledge than this particular problem.

Mr. Bohlender is the head of the irrigation company which has entered into this agreement with the City of Northglenn.

You have to understand what a far-sighted man he is. He probably fought with his farmers as much as anybody did to try to get this to the point where it is now, because farmers, of course, have been terribly

frightened by the notion of condemnation. So. Mr. Bohlender is one of the leaders in this development of urban-rural cooperation.

Mr. Thomas is the Mayor of Northglenn. I suppose that, as much as anybody, this is his brainchild. He has been pushing it for several years now to the point where it is almost at fruition.

I don't know what he will do if we ever get it completed. It has probably kept him alive.

These gentlemen have a presentation to make. I commend them all to you as being prominent citizens who work very hard to try to solve a very difficult problem.

Mr. TRAXLER. Thank you very much, Jim.

Who wishes to proceed first?

Mayor THOMAS. Mr. Schwartz.

Mr. SCHWARTZ. I don't know if either one of you gentleman are familiar with the Denver Metropolitan Area.

Mr. JOHNSON. Would you excuse me? I just received a notice that Frank Evans is in a meeting with the Secretary of the Interior. He cannot be here. He asked his statement be included as part of the record.

[The document follows:]

STATEMENT BY CONGRESSMAN FRANK E. EVANS, (D. COLO.) BEFORE THE HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES SUB-COMMITTEE ON THE APPROPRIATIONS COMMITTEE CONCERNING THE NORTHGLENN PROJECT.

April 13, 1978

Mr. Chairman and Members of the Committee:

This year's amendment to Section 5(a)(2) of the Environmental Research, Development, and Demonstration Act of 1978 (P. L. 95-155) authorizes the expenditure of $25 million for the research and development of projects demonstrating the potential for recycling municipal wastewater for both potable and agricultural use. This amendment is in recognition of the nation's growing shortage of clean water for municipal, industrial, and agricultural uses.

Reference to the situation currently confronting Colorado's front range, from Colorado Springs north through Denver to Fort Collins, demonstrates the urgent need for the implementation of innovative and effective water recycling programs. In that region, the demand for water greatly exceeds the available supply. Burgeoning urban populations have forced cities in the Denver metropolitan area to commence condemnation proceedings against irrigated agricultural interests in a desperate attempt to resolve their own water shortage problems. Unfortunately, this "solution" to the problem creates more problems than it solves: we simply cannot afford to meet municipal demands for water at the cost of drying up our nation's farms.

By substituting cooperation for condemnation, the City of Northglenn, Colorado, has developed a comprehensive water management plan which simultaneously satisfies the needs of both the rural and urban communities. The City has entered into a long-term contract with neighboring farmers to "borrow" their irrigation water for municipal and domestic use, after which it will be treated and recycled to the farmers, in the form of secondary effluent, for irrigation purposes. Thus, in addition to cutting water consumption in half, valuable agricultural land is assured of remaining in production.

It is efforts like those of the City of Northglenn which this bill seeks to encourage and provide assistance to. Its efforts demonstrate that water conservation and reclamation programs, engaged in cooperatively, between rural and urban interests, can contribute significantly to accomplishing the objectives of this legislation. Accordingly, I ask your support in funding Section 5(a)(2) of the Environmental Research, Development, and Demonstration Authorization Act of 1978 for the authorized amount of $25 million. I further request your support in earmarking $10 million in the Appropriations Bill and Report for the Northglenn project.

Thank you.

Mr. SCHWARTZ. I wanted to say Northglenn is a community of 32,000 people lying 22 miles north of Denver.

The Denver Metro Area in general is characterized by a rapidly expanding urban population. There is a glaring shortage of water supply. The demand for water greatly exceeds the available supply. The supplies are generally speaking held by agricultural interests. So cities, if they are going to be able to secure adequate water supplies for their constituents, really up to Northglenn's proposal, felt they had no alternative but to condemn agricultural lands and take the water rights off the land.

The consequences of condemnation are disastrous. Once the water is taken from the land, these gentlemen, the farmers Mr. Bohlender represents, have no opportunity to farm because when the water goes, the land goes.

I think Northglenn was just intent upon seeing that they did not meet their water needs at the expense of the farmers, because we just can't go about solving municipal water problems at the expense of drying up our nation's farms.

So they rejected condemnation in favor of cooperation, working with the farmers to share and recycle and conserve their water resources.

I think Jim Johnson adequately summarized the way that the project works.

We are going to take the farmers' water from where they have stored it traditionally, bring it to our city, where we are going to treat it and use it for municipal and domestic use. We will treat it again and kick it back to the farmers in the form of secondary effluent which they will use to irrigate with.

Essentially that's it. It does have a number of advantages. The Mayor will allude to those.

With that, I will give it to the Mayor.

Mr. TRAXLER. Please proceed.

Mayor THOMAS. I appreciate the opportunity to come before you today to give you some brief explanation of what our project is all about. I certainly do appreciate the interest and the support that Congressmen Evans, Worth, and Johnson have given us on this particular one.

This program is one which we believe can serve as a model of what other communities can do not only in the West, but in other parts of the country, to solve some of the problems that we have. It will utilize irrigation water for a city water supply without any damage to the agricultural community. It will substantially reduce the amount of chemical fertilizers necessary for the farmers to produce the crops that they need.

In place of the chemical fertilizer, it will use the natural ingredients which we now call pollutants in our stream. A pollutant in a stream is simply a natural resource which is out of place.

It establishes something that sometimes in this country we have always had the conflict between an urban and rural.

We distrust each other. It is a link between the urban people and the rural people on mutual cooperation.

You have just been through a long battle in Congress about the agricultural society and its problems. The people in the city some-

times view those differently. I think this would be a beginning of mutual cooperation to understand each other's problems.

Also, in the Denver metropolitan area, I think in some ways it has something to do with the growth—the type of growth that we have to make sure that we maintain some open agricultural land in a large metropolitan area which creates a more viable atmosphere for quality of life, because you must have some oxygen that the rain produces. It will help to cut down on the air pollution that we have.

It will also take care of our waste water economically. This is where our program will also serve the needs, not only in the West, but in other parts of the country. It will give you a way to economically treat the waste water and to put that waste to beneficial use.

In our case, in our total program, it will also meet the 1985 Clean Water Act goals; that is a zero discharge of pollutants from point and nonpoint sources into any national stream.

Once our program is completed, there will not be a single drop of water of any kind to the sewer system, through rainfall, through runoff, or anything else that will not be treated. It is a model type of system.

These goals, I think, while they may seem complicated to reach, actually our plan is rather simple; we go back to basics. You do not waste anything. I go back to the old farming background. Everything that they use, everything they do on the farm, they always put it to a beneficial use.

We, in Northglenn, put this project into being. It is not an easy thing for us to do. We have only been a city since 1969, and being a new city, we have many problems about being established. Looking over the situation of what we needed and what the country needed, when we go into solve a problem, we will try to solve that problem not only to our interest, but to the interests of the people around us, both the State and the Nation.

This program that we have, I think, will solve those problems. We have had throughout the last two years involved in this process many commendations for our project. I think, in some cases, people thought we were wishful thinkers. It's a great idea, but the belief was not there that we could complete the project.

Gentlemen, we shall complete this project. This project will be completed. We have had, under Governor Lamm—who referred to our project as the most innovative piece of thinking he has seen in his 10 years of politics.

When President Carter was in Denver last October, specifically referring to our project, he said, "This is a vista of things to come in the future, the way things will be done or can be done."

We believe this is a time for both not only the West, but the rest of the country to solve the resource problems we have through innovative and practical action, something that can and will work.

The history of the West was written in water. Water is our number one problem as far as farmers are concerned, as far as people who live in the cities are concerned. We think our program will take care of those problems.

In closing, you set national policy. You set national policy as members of Congress.

I sometimes am frustrated, maybe not from the policies that you set, but from the inability of those policies to be carried out. You establish

a goal that you want the waters of this nation cleaned up and no pollutants.

Question: What about all the technicalities on how you do that? You say there is an energy problem. The goal is you solve the energy problem. The process from a bureaucratic standpoint is all the regulations and time it takes to solve those particular problems.

We think that we have here a practical aspect that can serve as a model to other parts of this country on how to accomplish at least something in every one of those national goals.

The Clean Water Act, we will completely satisfy every single portion of that Act by this program—conservation of energy, no longer chemicals through a long process. The farm is a natural one. The farmers will use the natural resources that we have.

All this we will put together into one package. Our agricultural community at least serves as the economic backbone of this country to help at least lessen our balance of payments. We want those people in business.

In closing, I thank you very much. I appreciate your time. But I really think this is of great importance, not only to use in our state, but I think this project is of great importance to the country.

Mr. TRAXLER. Thank you, Mayor. We know you have come a long way with your colleagues. We appreciate your presence here.

Mr. Bohlender, do you have a statement?

Mr. BOHLENDER. I am Adolph Bohlender, president of the largest Mutual Ditch Company in Colorado, Reservoir Company, Irrigation Company. We have 450 miles of canals, maintain four major reservoirs storing water. We have been told we are the largest mutual irrigation company, ditch company.

Mr. JOHNSON. Adolph, tell them what a ditch company is.

Mr. TRAXLER. I never heard of a ditch company. It sounds like they are voting on something like that in the Senate.

Mr. BOHLENDER. Mr. Chairman, Mr. Johnson made an excellent statement. I appreciate it, Jim.

We depend on snowfall for water sources in Colorado. We store these waters in reservoirs and operate a distribution system to about 80,000 acres of land in this particular company.

In 1973, when the city of Thornton filed a condemnation suit to take the waters out of one of our major reservoirs, about 25 percent of our company, dry up our farms. No more future on the farms. This was quite a shock. We have been in this suit since November of 1973. We feel the Northglenn plant—it wasn't easy for the farmers' company when Northglenn approached us, and our board of directors, that there could be a better way.

We do feel it is a good plan. All other ditch companies in northern Colorado know about the Northglenn plan. We have many friends amongst our farmers that feel this is a pilot program that could work.

We sure appreciate all the work that's been done with the various congressmen and all the time that has been spent. The firm Allen works for has spent a lot of time. I am sure the footprints in the sands of time that remain will be footprints that were made with work shoes, because it took a lot of time to do this.

Now, the thing that we are really concerned about is that this should not fail; it takes time, money, but it is a conservation program that there's nothing like it. It is a precedent of the future of agriculture.

[The complete statements of Thomas and Bohlender follows:]

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BOOKKEEPER

TESTIMONY BEFORE THE APPROPRIATIONS SUBCOMMITTEE

ON HUD AND INDEPENDENT AGENCIES

APRIL 13, 1978

Good afternoon ladies and gentlemen. My name is Adolph Bohlender, and I am the President of The Farmers Reservoir and Irrigation Company (FRICO), of Brighton, Colorado. FRICO is the largest mutual ditch company in Colorado, supplying irrigation water to over 700 farm families in Adams, Boulder, Jefferson and Weld County, Colorado. I am appearing before you today as the representative of those farmers who have asked me to convey one very simple, but critical, message: Water is the lifeblood of the West. Without a stable, secure, and adequate supply of irrigation water, the agricultural economy of the West is doomed.

The greatest threat today to agricultural water supplies is that posed by urban growth. As cities continue to grow, their demands for water naturally expand. Unfortunately, the demand for water greatly exceeds the available supply. The problem is so severe that cities in Colorado have gone to Court to condemn agricultural water rights in a desperate attempt to solve their own water shortage problems. Of course, when the cities take our water, they effectively take our land and our livelihoods as well, because we can't raise a crop without the water.

Condemnation is not the answer to our country's water shortage problems - - COOPERATION is. If both the urban and rural sectors of our society are going to continue to prosper, then we have to develop ways to conserve our water resources - - to share them, recycle them, and make multiple use of them.

The City of Northglenn is building a project which gives us the opportunity to see the rewards of cooperative water use between cities and farmers. Northglenn came to our Board of Directors over two years ago, and told us that they were rejecting condemnation in favor of a partnership between their city and the farmers. Although we were leery of dealing with cities, having been in a condemnation suit with the City of Thornton since November of 1973, we listened to Northglenn. What Northglenn proposed made sense to us: The City proposed to borrow our irrigation water for municipal and domestic use, after which they would collect the wastewater, treat it, store it, and then return it to our farmers in the form of secondary effluent for agricultural use. This approach not only assures that both urban and agricultural demands for water will be satisfied, but, save the family farm. Another significant advantage of the system is that it transforms a seeming liability - - wastewater - - into a distinct asset: Through the recycling of wastewater, potential pollutants take on tremendous value in the production of food.

When this project is completed, the threat of condemnation will be gone forever. This project gives us a tool to demonstrate to our fellow farmers that rural and urban interests can work together successfully to meet their mutual water problems.

I am convinced that the Northglenn project can serve as a model of water resources planning not only for the arid west, but for the entire nation. I know that there are farmers throughout the country who are aware of this project and who are anxiously watching our progress.

This project is, quite simply, an idea whose time has come, and, on behalf of the farmers and the City of Northglenn, I ask your support for this very worthy and precedent setting project. Thank you.

Adolph Bohlender
President
The Farmers Reservoir &
Irrigation Company
80 South 27th Avenue
Brighton, Colorado

Remarks
before the

APPROPRIATIONS SUB-COMMITTEE ON
HUD AND INDEPENDENT AGENCIES

by

Alvin B. Thomas
Mayor
City of Northglenn, Colorado

April 13, 1978

Mr. Chairman, Members of the Committee:

I am Mayor Al Thomas of Northglenn, Colorado, a city of 33,000 people situated just north of Denver. I appreciate the opportunity to speak to you today regarding the unique land and water resources management program which we in Northglenn have been developing for the past three years.

The Northglenn program is one which we believe will become a model for all communities in the arid West because it will accomplish these major goals:

It will utilize irrigation water for a city water supply, without damage to the agricultural economy;

It will substantially reduce the amount of chemical fertilizers required for optimum farm production because natural nutrients will be added to the irrigation water as a result of the treatment of effluent;

It establishes urban/rural cooperation in keeping prime agricultural land in production, resulting in economic and cultural benefits;

It will assist in the stabilization of growth and help prevent urban sprawl and its accompanying air pollution by preserving agricultural open space in a metropolitan area;

It will utilize land application of municipal wastewater, which has been recognized by EPA as the most desirable method for treatment of sewage;

It will meet the 1985 Clean Water Act goals--which call for zero discharge of pollutants into the water of the state--by 1981.

These goals will be achieved by a relatively simple, though comprehensive, plan which was approved by Northglenn

citizens by the largest vote in the city's history when they passed a $31,000,000 bond issue by a two to one vote.

Our rural neighbors, shareholders in the Farmers Reservoir and Irrigation Company, have for many years maintained a large reservoir in which water is stored against their needs for the irrigation of crops. In 1976, an agreement was reached between FRICO and Northglenn which permits double use of that irrigation water. Northglenn will borrow the water it needs from the farmers, which will be treated for municipal use. Both the resultant sewage effluent and urban runoff, together with supplemental water from other sources, will be captured, treated to a secondary level in aerated lagoons, and stored in another reservoir to be released on call to the FRICO shareholders. In addition, Northglenn will pay the farmers a 10 per cent bonus--in water--as interest on the loan.

Governor Richard Lamm of Colorado described this project as the "most innovative, creative thinking I have seen in my ten years in public office."

There are three factors which make the Northglenn project unique:

Both the water supply and the land used for application of effluent will remain in the ownership of the farmers; co-operative agreements make it unnecessary for the City to spend vast sums for the purchase of these vital resources;

By paying the 10 per cent bonus, Northglenn will supply the farmers with an increase in their most precious resource--water;

Northglenn will treat urban runoff, a problem addressed by very few communities in the nation.

We have in Northglenn an ideal pilot project for demonstrating that recycling, or multiple use, is a solution to the problems of a scarce water supply.

Many communities throughout the West and the nation are watching Northglenn and FRICO to see whether, in reality, the urban/rural linkage can survive and all obstacles to the implementation of this ideal project can be overcome. As in all new answers to old problems, we have had and will have difficulties to overcome before the project becomes operational.

Through good will, resourcefulness and determination, we will succeed in setting the example for the nation--what President Carter has called a "vista of the future".

We believe that the time has come for the West and the world to solve its resource needs through innovative thinking, cooperation and practical actions. The history of the West is written in water, and we believe we are, indeed, making history.

If you have any questions regarding this project, I will be happy to answer them. Thank you again for the opportunity to appear before you.

Mr. BOHLENDER. I appreciate what Jim said.

The difference is like the color here on the table. In Colorado, in our area, the area our irrigation company serves, if we had no water this would be a disaster. We don't feel that this is a project that should be dealt with lightly. It is real important. It is the future of the family farm and, since for over 100 years it has been said the greatness of any nation depends on the virtue and intelligence of its farmers.

We want to carry this out. We do want to be the kind of farmers that work intelligently.

We have no quarrel with these cities in a way. We know they need our waters.

Mr. TRAXLER. They need to purchase your foodstuffs.

Mr. BOHLENDER. We all need to work together.

The word "condemnation" is vicious.

The word "cooperation" is great.

Mr. TRAXLER. How long did it take you to persuade the farmers that this was the way to go?

The reason I ask that question is in the state I represent there was a suggestion that after the wastes of the City of Detroit had received primary treatment, they should be pumped up into some of our best farm land, used to irrigate and to spread nutrients. The farmers to a person—this goes back to the early 1970s, 1971, 1972, they were totally opposed to this. You can imagine some of the jokes that went around about taking that thing out of Detroit, dumping it on their land. "We don't want this." "They can keep it."

Mr. BOHLENDER. In our area, it wasn't too bad for this reason, we do depend upon fertilizers.

We are in a large beef-producing area. We have the largest beef factory in the world in northern Colorado. It is the area we serve with our waters.

Commercial fertilizes have been playing quite a role in the production of our crops. We feel that this wasn't too much of a chore to sell our stockholders or shareholders in the company.

It does save dollars.

It will be under controlled conditions.

There will be times of the year when we may need to dilute this some or—we will still use our first source of water with the return flow from the city. It is a great plan. It is a blending of something that can be—well, I would say you could turn a curse into a blessing. This bad stuff you mentioned, I think it could be used real well.

Mr. TRAXLER. The cost of this project is in the area of $50 million, would that be correct, Mayor?

Mayor THOMAS. That would be correct.

Mr. TRAXLER. You have had approval from your constituents for about a $30 million bond issue?

Mayor THOMAS. Right.

Mr. TRAXLER. You would expect to receive some $9 million or so from the EPA construction grant program?

Mayor THOMAS. Yes.

Mr. TRAXLER. You would also like an approximate $10 million from EPA research and development, making a total of about $19 million from EPA funding?

Mayor THOMAS. Yes.

Mr. TRAXLER. I think, Jim, you have told us what the status of your application is over there.

Mr. JOHNSON. They just refuse without specific line item.

Mr. TRAXLER. How about your construction grant application? Were you on the priority list for your state——

Mr. SCHWARTZ. I can answer that.

We have received step 2 funding from the Colorado Water Quality Control Commission.

We are number 8 on the priority list in the State of Colorado, which for all practical purposes, assures us of getting both step 2 and step 3 funding.

Mr. TRAXLER. What portion of the total costs would the construction grant cover?

Mr. SCHWARTZ. It will fund that portion of the project which returns the effluent from the city of Northglenn to the farmers.

In other words, moneys which are allocated to Colorado under Section 208 of the Clean Water Act can only be used to fund waste water treatment facilities.

This project is a full-cycle project. In other words, we have got to bring water supply into the city before we kick it out as effluent.

So the $31 million, which the citizens of Northglenn have committed to the project, as well as the balance of $10 million, which we are looking to your Committee for, will be applied towards those portions of the project which are not waste water treatment facilities.

There's a lot of expenses in working cooperatively with the farmers. They are not that cheap folks to deal with. They have problems that have to be met before our own problems can be met.

What I mean is we need to construct a large storage reservoir, for example.

Mr. TRAXLER. Now, I know why the farmers are supporting the proposal.

Mr. SCHWARTZ. The point is——

Mr. TRAXLER. They are tough bargainers.

Mr. SCHWARTZ. Let me tell you.

We are going to be returning effluent 365 days a year.

The farmers, of course, only need it 3 months out of the year. We have to have a facility to store all that water in, et cetera. That's what accounts for all of the costs.

Of course, we are eliminating Mr. Chairman, all of the costs attendant to the construction of tertiary waste water treatment facilities. Tertiary treatment facilities are the single largest cost by far in the construction of any project.

Mr. COUGHLIN. This is not a question of taking sewage water and making it potable?

Mr. SCHWARTZ. No. This is not potable reuse. The authorizing language in the EPA Authorization and the Development Act was amended this year to provide for agricultural reuse of the waters, as well as potable reuse. This is strictly a project, which will demonstrate the feasibility and we feel the virtues of agricultural reuse of waste water, not potable.

Mayor THOMAS. Mr. Chairman, could I add a statement?

Mr. TRAXLER. Sure.

Mayor THOMAS. One of the things that I really think is important as far as our project is concerned and the rest of the country is what

you mentioned about Detroit. There you went in to try to convince them to do that. You had probably no real good model to show them how it would work.

I am not sure that you had a large group of farmers from some other area who had control of their own destiny and own their own water to try to go in and blunt some of the opposition or at least open the door. I think this will open the door for a lot of the places.

There is one fairly large difference between the Muskegon operation and ours. Muskegon, while they are farming, these farms are not under the individual private control. We don't want to take the small family farmer out of business.

We could have approached this in two different ways. We could have gone out and bought the land and gone into the farming business ourselves. We want to maintain the family farms.

This type of system and project does that.

Mr. SCHWARTZ. The Muskegon project and the Lubbock project don't involve water supply. This is full-cycle.

We need a water supply. We are faced with the alternative of condemnation. To avert the spector of condemnation, we have worked with the farmers to borrow their water and give it back. It is that factor which distinguishes our project.

Mr. TRAXLER. That was my next question.

What is there about this project that is different? What is the research aspects of this project that's different from any others that may be currently under way?

Mr. SCHWARTZ. Well, I think the real distinction lies in, as I just mentioned, the fact it is a full-cycle project. You are looking at a city that doesn't have an independent water and sewage service. They need to supply clean—secure clean stable supply of water to their citizens. They really don't have any alternatives left to them, but condemnation of agricultural water rights. By working with the farmers they can bring their water to the city first.

In Muskegon, Michigan, there is no water shortage like that confronting the city of Northglenn. In other words, all that the farmers—all that that land which is devoted to land treatment is doing is accepting Muskegon sewage. Muskegon is not involved in any contractual arrangement with farmers whereby they accept their water for use and return it to the farmers. We are not having to buy a water supply. Muskegon has an independent water supply somewhere. We are borrowing the farmers' water and making that our water supply.

I think probably to be very candid with you, the chief principle which we would be demonstrating if our project was successfully completed, would be the institutional arrangements which the project represents; the cooperation between the rural and urban communities; the technology certainly already exists, Mr. Chairman, for sophisticated land treatment projects like this.

Mr. TRAXLER. Thank you.

Larry, any further questions?

Mr. COUGHLIN. Where do you get the water supply now?

Mr. JOHNSON. Let me point this out. This is the problem we have in trying to educate everybody. You have your own problems in your own states.

Mr. TRAXLER. We have too much water.

Mr. JOHNSON. Out there all the water that we have, that we use except during the run-off period, which is really May and June, is essentially stolen. These ditch companies, back at the turn of the century, went up into the mountains and started developing ditch systems. They actually have a ditch up there north of where Mr. Bohlender's company is, that starts in the western slope of the Rockies and actually brings water from the western slope through a series of ditches and streams down to these farms.

The farmer owns shares in the mutual ditch company. He's assessed for the costs of the maintenance of the operation.

Depending upon the number of shares that he owns, the water is delivered into the system and he applies it to his farm.

But as the cities have grown, as Denver has, and Colorado Springs, Pueblo, that whole front range, they have run out of water because the water rights have effectively been put to use on farms in most cases. So, Denver has gone to the western slope and taken the water from the Colorado.

Mr. COUGHLIN. From where does this water come now?

Mr. SCHWARTZ. From a neighboring city.

Mr. JOHNSON. This is all intertwined in this problem.

Mr. SCHWARTZ. The neighboring city condemned these gentlemen's water. We broke with them on that. We said there has to be a better way. It was at that point we developed this plan.

Mr. JOHNSON. So, as we have a burgeoning population, the only place you get the water is taking it away.

Mr. COUGHLIN. Most of the funding is going to be for that right?

Mr. SCHWARTZ. To a large extent, that's correct.

Mayor THOMAS. Some of the expense we involved is the agreement we signed with the farmers. While we are not paying them money back, our agreement is we must give them back the most important thing to them, more water. We have to give them back 10 percent more water than we actually give them. There is some question about us buying the water rights to make sure there is enough water for their needs. We must give back 10 percent more.

Here you can buy water rather cheaply, perhaps.

Out there, the water you purchase is very expensive.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. TRAXLER. Thank you, gentlemen. We appreciate your presence here today.

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. TRAXLER. Thank you, Jim.

PORTLAND/VANCOUVER VA HOSPITAL

WITNESSES

HON. MIKE McCORMACK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

HON. DON BONKER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. TRAXLER. We are glad to welcome our distinguished colleague from the Far West.

Mr. McCormack. First of all, Mr. Chairman, we want to thank you for allowing us to testify at this hearing. I want to express my appreciation for the past considerations of the Subcommittee and the Committee on the studies that have been conducted on this question. To start, I want to point out that, although from external appearances this controversy may appear to be simply a controversy between various members of Congress and various interests fighting over locations within certain States or Congressional Districts, the real issue with which we are concerned is providing good medical care for our veterans.

If you gentlemen could have the opportunity to visit the facilities there as others have done, I'm convinced that you would immediately agree with us. However, it's difficult to convey these points sometimes, but the fact is that there are striking contrasts between facilities that exist in the Portland-Vancouver area.

One contrast is reflected in the popularity of the Barnes facility in Vancouver. Such a positive atmosphere contributes to what we are talking about: the best care for veterans.

As you recall, the existing law calls for a new facility or facilities in the Portland-Vancouver area. Within the State of Oregon a debate has arisen as to whether there should be a facility built on Marquam Hill next to the University Medical School, or near a freeway in the center of the city at the site adjacent to where Emanuel Hospital is now located.

We from Washington State had no interest in becoming involved in that discussion. The last thing we want to do is to get involved in what appears to be an internal squabble within the State of Oregon. However, we have been drawn into it against our will. The reason for this is that we believe in the best interests of the veterans would not be served by building one unit on Marquam Hill, as the Veterans Administration has recommended. We believe this is the worst of all possible solutions.

Secondly, we believe that Barnes should be kept because of the atmosphere it creates, and the type of service it provides for the veterans.

By way of review, Barnes is built in the middle of a very large parklike area in Vancouver. There is a community college adjacent to it. There are very few other facilities. It is an open, lightly wooded very beautiful parklike area.

Barnes was built during the Second World War. It is a World War II stretched-out type facility, with covered walkways between separate buildings. It is well maintained, considering it's a World War II structure.

What is important about Barnes is that it possesses a happy atmosphere that is almost unique among veterans hospitals. It has far more volunteer hours than any veterans hospital in the entire country. There is deep involvement by the citizens and veterans organizations, and all sorts of volunteers. The veterans of the area prefer to come to Barnes in spite of its age. They choose it. Recent polls among area veterans have shown that Barnes is the most popular veterans hospital in the region.

Veterans choose Barnes partially because of the atmosphere there, and because of the accessibility to the wives and families, who can

drive their cars from the freeway to the hospital in about a minute, and park in a parking place immediately in front of the buildings.

The VA has recommended we close Barnes, and build a facility up on top of Marquam Hill. If the VA had recommended building a facility at the Emanuel site, it would have been more difficult for us to make our point, but we can with respect to Marquam Hill. Marquam Hill is sitting on top of a very steep outcropping that rises from the City of Portland. It is on the epicenter of a local earthquake fault. There are frequent earthquakes in the area, and any one could be catastrophic.

To get to the Marquam Hill site, one must drive up narrow, winding two-lane roads that do not have sidewalks. It is no exaggeration to say a person frequently has to park a quarter of a mile away and walk up those two-lane roads amidst the confused traffic and the Portland rains.

That's what the Veterans Administration would require spouses to do while visiting Marquam Hill.

We contend that the fundamental rationale for putting that facility there is not to serve the veterans, but instead to serve the interests of the medical school and the doctors in the medical school. The Emanuel site is only five to seven minutes away from the medical school, and Barnes is no more than 15 minutes away.

We object to Marquam Hill because of the projected size of the facility, the crowded situation that would exist there, because of the fact it is not accessible, and on the fact that it seems to be an impersonal concrete factory where veterans and their families don't receive the same sort of treatment they do at Barnes.

On the other hand, Barnes has community support. It has a wonderful dental clinic, operated by the Community College. Most of the patients at the hospital get their preventive medicine done free.

In addition, it would be more economical to not try to build a new facility, on Marquam Hill.

The approach we have been recommending is simple. We believe that the most severe medical cases could be put at Marquam Hill in existing facilities: those that literally require the immediate proximity of the medical school. We believe the other services for that region should be divided between new—approximately equal facilities at Barnes and Emanuel. We believe this is a totally economic approach. It doesn't mean we have to build Barnes at once. They could build Emanuel and then build Barnes. The existing Marquam Hill building could be re-equipped as necessary at any time.

However, the worst thing to do would be to build on Marquam Hill. This is our position.

I would like to ask Congressman Bonker to comment.

Mr. BONKER. This area is not in my district. It happens to be my home area. I am familiar with Barnes. I went to school in Portland. I originally thought the VA system's recommendation made a lot of sense, but when I learned about the recommendation to place a facility on top of Marquam Hill, I was appalled.

It's the most inconvenient and unlikely place to put a veterans facility of any area throughout the Portland metropolitan region. For some reason in Northwest. Bob, they always construct hospitals on top of hills. I don't know why. A scenic wonder, maybe it's therapeutic.

It just isn't practical. The veteran won't have access to it.

The only rationale I can see is that it's convenient for the doctors because the doctors like to be up there on the hill where they have the views. They are all clustered around the hill. It would be convenient to have the VA facility there so they can have access to it.

Secondly, the VA facility in Vancouver is unique. As Mike pointed out, it's a fine facility, tremendous community support. Everybody likes and is very much satisfied with the services there. You disrupt not only a service but a spirit that is in a community.

I think what Mike has come up with is ideal in that it will allow us to utilize existing facilities more efficiently without adding new bed capacities.

I have several areas in my district where hospitals are running at 60 and 50 percent capacity which is really inflationary within the whole health delivery system. It would make eminent good sense to utilize our existing facilities to maintain the one at Vancouver, and if there is a facility at Marquam that is usable for another few years, we ought to do that, but not build a new facility at the enormous cost, at the total inconvenience to the people it's intended to serve. That's the veterans.

Mr. TRAXLER. How many beds do you have at Barnes? Do you recall offhand? We have that figure somewhere.

Mr. MCCORMACK. I don't know.

Mr. TRAXLER. Are you full range there now?

Mr. MCCORMACK. It's not intense care. Our operating room is only about four beds, and the one small operating facility.

Mr. TRAXLER. I am reminded you have 350.

Mr. MCCORMACK. We do not have any domiciliary care. We have a lot of long-term, heart lung, emphysema, and drug detoxification patients. We have an alcoholism clinic.

There is not a large, intense, high technology care facility there.

Mr. TRAXLER. We sincerely appreciate your effort here. The committee feels that we have gotten all the information that we need now. The investigative staff did their report as you know. You have seen the results of that. We are now at the hard choice spot. The decision-making is going to take place probably next week.

Mr. MCCORMACK. Could I make a suggestion? That is that the facility up on Marquam Hill is seven stories, between the front and the back of the building, is less than 100 feet across. It's on a 60 percent grade. The VA wants to build a new building on that steep hill, with its seismic problems.

Mr. BONKER. They didn't pick it for environmental reasons.

Mr. MCCORMACK. The proposal we are making would give everybody something. It would probably cost less than the VA proposal would cost. It would give the veterans a choice between going to either city, and new facilities in both states. It shouldn't offend anybody.

Mr. TRAXLER. We are always looking for that kind of answer. We appreciate your suggestion.

Mr. BONKER. And it would give us relief.

Mr. TRAXLER. In the investigative report, referring to Barnes, they say that, as stated earlier, it is a 36-year-old wood frame facility built with an expected life span of 10 years. The Vancouver VA Hospital is impressive from the inside. With certain exceptions, the facility is

capable of fulfilling for the next 20 years the bread and butter issue assigned to it.

They give you high grades.

EPA—Water Quality Monitoring

WITNESSES

HON. MATTHEW F. McHUGH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

RICHARD B. GLAZER, PROJECT DIRECTOR, ULSTER COUNTY COMMUNITY COLLEGE, STONE RIDGE, N.Y.

Mr. Traxler. Mr. Glazer. I understand our distinguished colleage colleague Mr. McHugh is going to introduce you.

Mr. McHugh. Thank you very much.

Mrs. Boggs. We are sorry you had to wait so long.

Mr. McHugh. That's all right.

Mr. Chairman, members of the committee: my purpose here is to introduce Mr. Glazer. Before doing so, let me take a moment to express my own personal concern that once again the administration has not provided any funding in its budget for the training of professionals in the area of water quality monitoring.

Mr. Glazer and I were here last year. Unfortunately, the subcommittee and indeed the whole Congress provided $3 million for this purpose. I think, therefore, that there is a responsiveness and understanding on your part with regard to this problem.

We spent billions of dollars, as you know so well, on planning and constructing waste water treatment facilities and others, reflecting our concern with water and water quality; and if these things are to be implemented in some effective fashion, we have to have professional people to operate these facilities and to monitor the water quality.

That is what Mr. Glazer is here to discuss. He is involved as project director of a water quality training program, one of seven which is federally-funded in the country.

This particular one happens to be associated with the State University of New York, the Community College in Ulster County.

Mr. Glazer also has a background in local government and so has seen this problem from both sides.

It is a great pleasure for me to introduce to you, Mr. Chairman and the Committee members Mr. Richard Glazer.

Mr. Traxler. We will make your statement part of the record. You may summarize the 20 pages.

Mr. Glazer. I intend to.

Mr. Traxler. Our Chairman once said the sympathy of the Committee towards requests was in direct proportion to their brevity. I don't know if that is true.

Mr. Glazer. I could leave now if that would help.

Mr. Traxler. It is interesting for the last three years we have added money in the training areas above the budget averaging some $3 to $5 million per year. You are aware of that, of course.

Mr. Glazer. Yes.

Mr. TRAXLER. Please proceed.

Mr. GLAZER. Last year at this Committee I appeared before you to testify on the need for academic training in developing an environmental work force to enforce and manage the air, water, and waste water programs as mandated by Congress.

At that time I noted the dangers inherent in the Office of Management and Budget and the United States Environmental Protection Agency's policies of allocating zero moneys for these purposes in the fiscal year 1978.

It was after these meetings that Congress appropriated $3 million as add-on funds to maintain the academic training programs in existence at that time.

Unfortunately, once again, the professional community concerned with environmental work force development programs is faced with zero funding in the FY 1979 Environmental Protection Agency budget.

It should be recognized that at the same time the overall budget for FY 1979 has increased 33 percent over FY 1978 to $1.1 billion.

The reason for my testimony is to call to the attention of Congress the dangers of expanding our pollution control and planning programs without a corresponding increase in the training necessary to develop an adequate and qualified work force capable of making these pollution control mandates functional.

It is essential that we recognize that the technology that produces pollution has evolved over many years and is now highly sophisticated.

Unfortunately, the technology to control pollution does not have the luxury of time to develop, yet is and must be equally sophisticated.

This, in turn, requires trained people who are equal in their qualifications and capabilities as are their counterparts in industry.

Further, industry has excellent and often expensive training programs to assure a continual supply of highly skilled workers which in turn assures high productivity and profits. The converse is true in government.

As the states do not have sufficient moneys to support, without massive federal assistance, wastewater treatment facilities construction, neither do they have the funds to support state and local training programs.

In state governments funding for training programs is considered as "soft money," and is normally the first item to be cut from already overtaxed budgets, drastically reducing the productivity of the environmental work force.

I am Richard B. Glazer, Professor of Biology and Project Director of the Water Quality Monitoring Program at the State University of New York's Community College at Ulster County. I have worked as a professional concerned with many aspects of the environment for almost two decades.

In addition to my academic duties, I am presently serving my third term as Supervisor of the Town of Rosendale. As the chief elected official of my town and a professional concerned with the national problems of pollution, I am in a unique position to recognize and feel the impact that the lack of a trained environmental work force has on the success of pollution abatement programs on the local level.

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I am sure Congress realizes that the supervisors and mayors of thousands of municipalities across the country are being mandated by the federal government to comply to a host of environmental standards.

To accomplish these mandates, Congress has spent billions of dollars and local municipalities have indebted themselves for many millions more to construct wastewater and drinking water treatment facilities, water transmission lines, collector systems, interceptor sewers, pump stations, and related force mains. By eliminating funding for work force training, EPA is making it virtually impossible for these municipalities to find and employ the highly skilled work force necessary to run our treatment plans, monitor our waterways, and essentially to get the benefits that they have a right to expect for the dollars committed.

To illustrate my testimony, I am including the proposed EPA budget authority for fiscal 1979. I won't go through it. You can see it is many billions of dollars.

This budget reflects an overall increase of 33 percent to $1.1 billion over the FY 1978 budget. The water quality program is an increase of $87.5 million, or 41 percent.

The recently signed EPA-Corps of Engineers agreement regarding the construction grants program for wastewater treatment plans further increases work years available over the 1978 level by 66 percent.

It is important to note that the line for academic training and work force development is once again missing from this budget. A breakdown of how the $3 million that was added on for work force development in FY 1978 was distributed will further illustrate how little is available for individual training programs under the present funding system.

Let me only note on this that out of the $3 million, only $120,000 was allocated for undergraduate education throughout the country. That is a very meager amount of money.

A review of the types of programs that are funded by the Environmental Protection Agency's Department of Work Force Training shows a number of unique programs that serve as prototypes to fill the needs of similar programs throughout the United States. They incorporate the use of the objective approach to education, demanding mastery of the skills or techniques to be learned before proceeding to the next objective.

Their purposes are clearly defined, as are the conditions under which the skills will be learned and the performance levels which are acceptable.

Many of these incorporate cooperative-education internships programs with other Federal, State, and local agencies.

At Ulster County Community College in New York State a cooperative-education program with the New York State Office of Parks and Recreation is an integral part of their curriculum.

The Office of Parks and Recreation services approximately 50 million visitors on one-quarter of a million acres of land annually. In 1977 it processed a half billion gallons of wastewater from some 3,000 discharge points.

It was students from this federally-funded New York State program who monitored these point sources assuring that they met both federal—NPDES—and state—SPDES—water quality standards.

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Of equal significance is the fact that Parks and Recreation has estimated that this internship program saves the taxpayers of New York State over $200,000 a year, a figure well above the entire undergraduate training allotment from EPA in FY 1978.

This program is presently being expanded on a national scale as it is being used as a model for a similar program between the National Training and Operational Technology Center of EPA and the Tennessee Valley Authority.

These EPA academic training grants therefore provide degree programs that give students on-the-job experience, makes available sorely needed manpower to state and federal agencies that are honestly attempting to comply with federal pollution control regulations and provides a welcome relief to the taxpayer because the cost of compliance is kept at a minimum.

Further, a host of workshops and seminars such as the "Workshop to Establish Water Quality Education and Training Programs," presented by the National Training Center, a Water Quality: Its Management and Maintenance seminar co-sponsored by the New York State Department of Parks and Recreation, Division of Environmental Management, and Ulster County Community College's Water Quality Management program and others serves to disseminate information to other professionals, educational institutions, and federal, state, and local agencies.

If Congress allows the United States Environmental Protection Agency to eliminate funding for these training programs, viable, education-government cooperative ventures that bring direct benefits to so many of our citizens at a nominal cost, and which should be expanded upon, would be effectively discarded.

I do have here a budget which we are recommending. However, I will not go through that, as it is in the testimony.

Mr. TRAXLER. Thank you.

We appreciate your presence here today. You are a forceful reminder of the needs in this area. We hope we can do all we can.

Mr. GLAZER. The one thing I would like to emphasize is I think this is different than what we were discussing under Section 202. That is that here we have a program operating, making a significant impact. At the same time, we cannot get funding of $120,000 a year to try and continue these programs.

It seems where people are asking for a great deal more money to get other programs going, we have programs that are ongoing and are asking for a minimum impact on funds.

[The complete statement follows:]

Testimony of

RICHARD B. GLAZER

representing

The Professional Community Concerned with

Environmental Work Force Training

on

Support of the United States Environmental Protection Agency's Environmental Work Force Programs for Air Pollution Control, Water Pollution Control, and the Safe Drinking Water Act.

to

SUB-COMMITTEE FOR HOUSING AND URBAN DEVELOPMENT AND INDEPENDENT AGENCIES OF THE COMMITTEE ON APPROPRIATIONS OF THE CONGRESS.

at

Washington, D. C.

on

April 13, 1978

Project Director
Ulster County Community College
Stone Ridge, New York 12484
(914) 687-7621

CONGRESSIONAL TESTIMONY

A statement in support of the United States Environmental Protection Agency's Environmental Work Force Training Programs for Air Pollution Control, Water Pollution Control, and the Safe Drinking Water Act.

This statement is presented to the SUB-COMMITTEE FOR HUD AND INDEPENDENT AGENCIES OF THE COMMITTEE ON APPROPRIATIONS OF THE HOUSE, APRIL 13, 1978.

INTRODUCTION

Last year at this committee I appeared before you to testify on the need for academic training in developing an environmental work force to enforce and manage the air, water, and wastewater programs as mandated by Congress. At that time I noted the dangers inherent in the Office of Management and Budget and the United States Environmental Protection Agency's policies of allocating zero monies for these purposes in the fiscal year 1978. It was after these meetings that Congress appropriated $3,000,000 as add-on funds to maintain the academic training programs in existance at that time.

Unfortunately, once again, the professional community concerned with Environmental Work Force Development programs is faced with zero funding in the FY 1979 Environmental Protection

Agency budget. It should be recognized that at the same time the overall budget for FY 1979 has increased 33% over FY78 to $1.1 billion.

The reason for my testimony is to call to the attention of Congress the dangers of expanding our pollution control and planning programs without a corresponding increase in the training necessary to develop an adequate and qualified work force capable of making these pollution control mandates functional. It is essential that we recognize that the technology that produces pollution has evolved over many years and is now highly sophisticated. Unfortunately, the technology to control pollution does not have the luxury of time to develop, yet is and must be equally sophisticated. This in turn requires trained people who are equal in their qualifications and capabilities as are their counterparts in industry. Further, industry has excellent and often expensive training programs to assure a continual supply of highly skilled workers which in turn assures high productivity and profits. The converse is true in government. As the states do not have sufficient monies to support, without massive federal assistance, wastewater treatment facilities construction, neither do they have the funds to support state and local training programs. In state governments funding for training programs is considered as, "soft money", and is normally the first item to be cut from already overtaxed budgets, drastically reducing the productivity of the environmental work force.

I also wish to make positive recommendation with respect to congressional support of these work force development programs by presenting a model comprehensive budget for work force training which provides the federal support necessary in fiscal year 1979 to continue the Environmental Protection Agency's Work Force Development programs. Congress has made very clear its intent to provide a clean and safe environment by enacting and funding Public Laws 92-500, 93-523, 91-604, 95-217 and others, all concerned with the quality of our air and water. Congress has also recognized that the construction of major wastewater and drinking water facilities along with programs for constant monitoring and management is not sufficient without long range planning to interrelate these programs to specific local, regional, and national needs. The heart of the jigsaw puzzle is missing, however, a trained, highly skilled work force that can effectively and efficiently monitor our waterways, point sources of pollution, and drinking water and can properly operate our drinking and wastewater treatement facilities.

I am Richard B. Glazer, Professor of Biology and Project Director of the Water Quality Monitoring Program at the State University of New York's Community College at Ulster County. I have worked as a professional concerned with many aspects of the environment for almost two decades. In addition to my academic duties I have served over the years in various capacities: Associate Director

of Project BIOTECH for the American Institute of Biological Sciences, Special Assistant to the Director of the American Institute of Biological Sciences, the New York State Department of Environmental Conservation, the Federal Government, the National Task Force for Two-Year College Biologist, and was selected as an Outstanding Educator of America in 1975. I have also served on many local community groups such as the Community Chest, as a member of its Planning Committee, Chairman of its Health Services Council, and District Chairman for the Boy Scouts of America. I am presently serving my third term as Supervisor of the Town of Rosendale. As the chief elected official of my town and a professional concerned with the national problems of pollution, I am in a unique position to recognize and feel the impact that the lack of a trained environmental work force has on the success of pollution abatement programs on the local level. I am sure Congress realizes that the supervisors and mayors of thousands of municipalities across the country are being mandated by the federal government to comply to a host of environmental standards. To accomplish these mandates, Congress has spent billions of dollars and local municipalities have indebted themselves for many millions more to construct waste-water and drinking water treatment facilities, water transmission lines, collector systems, interceptor sewers, pump stations, and related force mains. By eliminating funding for work force training EPA is making it virtually impossible for these municipalities to

to find and employ the highly skilled work force necessary to run our treatment plants, monitor our waterways, and essentially to get the benefits that they have a right to expect for the dollars committed.

To illustrate my testimony, I am including the proposed EPA budget authority for fiscal 1979.

Proposed Environmental Protection Agency
Budget Authority for fiscal 1979 *
$ (M)

	1978 Current Estimate	1978 Supple-mental	1979 Request	Increase (+) or Decrease (-)	%
Air	$156.2	$ 9.4	$212.6	$ +56.4	+36
Water Quality	214.7	94.5	302.2	+87.5	+41
Drinking Water	55.6	-	70.1	+14.5	+26
Solid Waste	39.8	-	56.9	+17.1	+43
Pesticides	47.0	-	60.7	+13.7	+29
Radiation	5.7	-	11.3	+ 5.6	+98
Noise	11.1	-	10.6	- 0.5	- 5
Interdisciplinary	38.3	-	47.4	+ 9.1	+24
Toxic Substances	28.8	-	56.7	+27.9	+97
Energy	95.9	34.7	114.8	+18.9	+20
Mgmt. & Support	151.7	16.2	177.7	+26.0	+17
SAO	4.0	-	4.0	-	-
Bldg. & Fac.	-	-	2.6	+ 2.6	-
TOTAL	$848.8	$154.8	$1 127.6	$+278.8	+33
Construction Grants					
NOA	-	$4 500.0	$4 500.0	+$4 500.0	+100
Outlays	$4 135.0	-	$4 660.0	+$525.0	+13

This budget reflects an overall increase of 33% to $1,1 billion over the FY1978 budget. The Water Quality program is an increase of $87.5 million or 41%. The recently signed EPA Corps of Engineers

*Taken from Water Pollution Control Federation HIGHLIGHTS, Volume 15, Number 3, March 1978.

Agreement regarding the construction grants program for wastewater treatment plants further increases work years available over the 1978 level by 66%.

It is important to note that the line for academic training and work force development is once again missing from this budget. A breakdown of how the $3,000,000 that was added on for work force development in FY 1978 was distributed will further illustrate how little is available for individual training programs under the present funding system.

Air Programs	$1.1 Million
Graduate Training	$350,000
University Special Projects	250,000
State Agency Fellowships	500,000
Water Supply	$610,000
Professional Training Grants	300,000
State Agency Fellowships	310,000
Water Pollution Control	$940,000
Professional Graduate Training	370,000
Undergraduate Training	120,000
Curriculum Development	100,000
State Agency Fellowships	350,000
Work Force Assessment	$350,000

A review of the types of programs that are funded by the Environmental Protection Agency's Department of Work Force Training shows a number

of unique programs that serve as prototypes to fill the needs of similar programs throughout the United States. They incorporate the use of the objective approach to education, demanding mastery of the skills or techniques to be learned before proceeding to the next objective. Their purposes are clearly defined as are the conditions under which the skills will be learned and the performance levels which are acceptable.

Many of these incorporate cooperative-education internship programs with other federal, state and local agencies. At Ulster County Community College in New York State a cooperative-education program with the New York State Office of Parks and Recreation is an integral part of their curriculum. The Office of Parks and Recreation services approximately 50 million visitors on one-quarter of a million acres of land annually. In 1977 it processed a half-billion gallons of wastewater from some 3,000 discharge points. It was students from this federally funded New York State program who monitored these point sources assuring that they met both federal (NPDES) and state (SPDES) water quality standards. During the Long Island beaches sludge crisis in 1976 these students did the preponderance of the testing of these beaches and their reports formed the basis for the reopening of the beaches and the testimony that was later presented by Parks to the United States Congress. Orin Lehman, Commissioner of Parks and Recreation, personally cited these students for their "exceptional performance

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If Congress allows the United States Environmental Protection Agency to eliminate funding for these training programs, viable, education-government cooperative ventures that bring direct benefits to so many of our citizens at a nominal cost, and which should be expanded upon, would be effectively discarded.

Proposed Comprehensive Budget
EPA Manpower Training
Fiscal Year 1978

PL 91-604
Air Pollution Control

Section	Purpose	Amount
103(a)(1)	Professional (graduate) Training	1,500,000
103(a)(1)	Graduate Fellowship	675,000
103(a)(1)	Consortia Support	450,000
103	Special Programs	500,000
103(a)(2)	Short Term Technical Training	1,500,000
	Work Force Forecasting	500,000
	sub total	$5,125,000

PL 93-523
Safe Drinking Water Act

1442(9)(b)(A)	Professional (graduate) Training	2,000,000
1442(9)(b)(A)	Operator and Instructor Training	1,000,000
	sub total	$3,000,000

PL 92-500
Water Pollution Control

Section	Purpose	Amount
104(g)(3)(A)	Professional (graduate) Training	2,500,000
104(g)(3)(B)	Research Fellowships	1,000,000
104(g)(3)(C)	Direct Training	700,000
109-112	Technician Training	500,000
	Curriculum Development	300,000
104(g)(1)	Operator and Instructor Training	2,000,000
104(g)(2)	Work Force Forecasting	500,000
	sub total	$7,500,000

Total EPA Air, Water Pollution Control and Safe Drinking Water Needs $15,625,000.

A careful review of the use of the $2,000,000 that was added to the EPA fiscal year 1976 budget for "academic training" will reveal that these funds, because they were appropriated under this broad term, were a blank check to be used in a number of ways, many not the intent of Congress. It is essential therefore that if appropriated and allocated funds are to be spent as originally intended they be earmarked under the specific section for which they have been appropriated. For example, in fiscal year 1973 Section 104(g)(1) Operator and Instructor Training had a $7.5 million authorized appropriation. Actual allocated funds were less than $3 million. Of this $3 million only $331,000 were allocated to Section 109A (Undergraduate Training Grants). This

$331,000 has remained constant for 1974, 1975, and 1976. Although Public Law 92-500 stipulates that undergraduate training was to continue for a long indefinite period of time. OMB directive and EPA policy has attempted to phase out this training program by requesting that zero monies be allocated for these categories in fiscal year 1977 and 1978. See Table I.

PL 92-500

Water Pollution Control

PL 92-500 mandates a program to restore and maintain the quality of our water systems. This includes the best Practicable Control Technology (BPCT) by industry, and the Best Available Control Technology (BAT) economically achieveable for municipal and industrial systems by 1977 and 1983 respectively. Unless trained manpower capable of achieving these goals continues to be available it is clear that:

1. The goals of the 1972 Amendment to the Water Pollution Control Act will not be met;
2. There will be inadequate trained manpower available to meet the needs of federal, state and regional agencies and of the private sector;
3. Innovative research and development necessary to achieve least cost and technically effective pollution control will be curtailed.

Table I

Environmental Manpower Training Support

Fiscal Years 1973-77

	1973	1974	1975	1976	1977
Operator training 104(g)(1) [1.]	$1,493,000	$1,611,000	$1,722,000	$1,750,000	$1,750,000
Academic training 109(g)(3)(A)					
Professional training grants	5,606,000	3,240,000	1,843,000	1,704,000 [3.]	370,000 [2.]
State agency fellowships	-0-	230,000	338,000	394,000 [4.]	210,000 [2.]
Academic demonstration grants	-0-	409,900	286,000	265,000 [5.]	70,000 [2.]
Undergraduate training 109A	331,000	331,000	331,000	416,000 [6.]	50,000 [2.]
Undergraduate scholarships 111	-0-	-0-	-0-	-0-	-0-

1. Yearly increases due to in-house support.
2. Total funds due to Congressional add on.
3. Includes $65,000 Congressional add on.
4. Includes $50,000 Congressional add on.
5. Includes $95,000 Congressional add on.
6. Includes $85,000 Congressional add on.

Public Law 92-500 provides authorization for Training at all levels included in the proposed budget as follows:

Sections 104(g)(3)(A) & (B) Professional (graduate) training of engineers and scientists.

Section 102(g)(3)(C) Direct Training - provides specific training in subjects and areas not otherwise available.

Sections 109 through 112 - Technician training for operations, maintenance, and design personnel. Monitors of water quality and effluent standards for the NPDES and Safe Drinking Water Act also fall within this section.

Section 104(g)(1) Training for new operators upgrading for existing operators and operator instructors.

Section 104(g)(3)(A)

Professional (graduate) Training

The Professional Training Program in water pollution control was initiated by an appropriation of $700,000 in fiscal year 1962. Table II shows the funds appropriated, number of awards made and the trainees supported throughout the history of the training grant program.

Table II

FISCAL YEAR	APPROPRIATION DOLLARS	AWARDS	TRAINEES SUPPORTED
1962	$ 700,000	23	--
1963	1,100,000	35	83
1964	2,000,000	54	177
1965	2,000,000	57	291
1966	2,500,000	65	364
1967	2,910,000	71	391
1968	3,365,000	84	509
1969	3,300,000	79	633
1970	3,800,000	88	792
1971	4,565,000	91	944
1972	4,650,000	103	1243
1973	2,800,000 + 1,800,000	87	1296
1974	2,770,000	73	845
1975	2,105,000 (2)	52	616
1976	3,200,000 (3)	33	420 (4)
1977	none	none	none

(1) $1,800,000 of 1972 fiscal year funds supplied in early fiscal year 1973.

(2) 29 Fellowship Awards Funded from total training appropriation.

(3) $2,000,000 added to EPA Fiscal year 1976 budget by Congress.

(4) Preliminary's Final Deposition of all funds not clear to date.

Section 104(g)(3)(B)

Research Fellowships

This program provides funds to upgrade the existing staffs of our state agencies. These funds will provide a one year fellowship which will include the employees salary, educational cost, and relocation expenses.

Section 109-112

Undergraduate Training

Under PL92-500, compliance monitoring, surveillance sampling, NPDES reports and recording will require an increased and improved level of laboratory testing of waste-waters. It is intended that these funds in part will be used to develop a library of current training manuals and audio-visual aids to provide all agencies with a consistent approach to meet the needed laboratory and reporting regulations. These funds will also provide State Training Personnel with the latest methods for improving laboratory operations, maintenance and problem trouble-shooting.

Section 104(g)(1)

Operator and Instructor Training

Most states and or Regional Agencies have developed a training capability, for new as well as upgrading existing wastewater treatment plant operations personnel. These programs are, however, inadequate to meet the needs of the new waste-water treatment

plants that are now and will be constructed in the future with the funds provided by PL92-500. It is intended that these funds will be used to build on existing capabilities to develop an adequate Operator Training program in this country. It is also proposed that these funds be used to provide current training courses and media for upgrading the training capability of instructors that are the heart of a successful Operator Training program.

PL93-523

Safe Drinking Water Act

Section 1442(9)(b)(3)(A)

Professional (graduate) Training,
Operator and Instructor Training

The pertinent section of P.L. 93-523 with respect to Training is SEC. 1442 including: Research, Technical Assistance, Information and Training of Personnel. Subsection 9(b)(3) authorizes the Administrator to:

> "Make grants to, and enter into contracts with, any public agency, educational institution, and any other organization, in accordance with procedures prescribed by the Administrator, under which he may pay all or a part of the costs (as may be determined by the Administrator) of any project or activity which is designed--
>
> "(A) to develop, expand, or carry out a program (which may combine training education and employment) for training persons for occupations involv-

ing the public health aspects of providing safe drinking water;

"(B) to train inspectors and supervisory personnel to train or supervise persons in occupations involving the public health aspects of providing safe drinking water; or

"(C) to develop and expand the capability of programs of States and municipalities to carry out the purposes of this title (other than by carrying out State programs of public water system supervision or underground water source protection (as defined in section 1443(d)."

Clearly, with the enactment of PL93-523, Congress intended the EPA to develop an adequate training program to implement the Safe Water Drinking Act. To date, over a year later, no program has materialized or is one proposed in the fiscal year 1978 budget.

CONCLUSION

As the fiscal officer of my town and an administrator in educational programs, I recognize that funds on all levels are limited and it is therefore essential to weigh programs and assign priorities to those which will provide the greatest return for the monies expended. The monies being requested here are not of the magnitude that would require financial sacrifices

or have a major impact on the overall federal budget. Rather because they are so minimal in comparison with other requests they often tend to be overlooked as too small to be able to accomplish anything of significance. Actually just the opposite is true, the few million spent on manpower training has had a major impact on the worth of the billions of dollars spent on facilities construction and equipment purchases.

As Congress considers these budget requests it must ask itself these questions.

1. What sense does it make to spend billions of dollars on pollution control construction and programs if we do not have the trained manpower to operate these plants or monitor these programs?
2. Can Congress, rather than appropriating new monies, reassign allocations from the construction fund or other EPA budget categories to work force training and development. This would assure the funding necessary to continue developing a trained and skilled environmental work force without the need for new appropriations?
3. Without proper training who will handle the delicate tasks of monitoring and testing for toxic and hazardous materials?

4. Can Congress afford to put in jeopardy the close cooperative programs that have developed among federal, state, and local government agencies, educational institutions and the public because of the lack of academic training funds?

5. How much money have these programs cost us and how much more will they cost us in the future if our plants, enforcement and regulatory agencies cannot function because of the lack of skilled semi-professional and professional workers?

6. If EPA remains reluctant to continue funding environmental work force development programs, after many years of Congressional urging should Congress enact and fund separate legislation to assure long-range dependable work force training and development support?

It is clear that if Congress does not refund the work force training programs it will have spent many billions of dollars on treatment plants, regulatory systems and major national programs while denying them the trained work force that is necessary for these plants and programs to function and be operational. It seems ashame that for so little money we are willing to risk so much.

Finally, I wish to emphasize that the proposed budget is considered to be a minimum realistic effort. Also, it is not the result of one individual's effort nor of one special interest group. Rather, it is the result of hard work by many concerned professionals who wish to see the Nation's Environmental Control Program succeed.

I wish to thank the Congress for the time and opportunity they have provided me to meet with them.

STATE OF NEW YORK
EXECUTIVE CHAMBER
ALBANY 12224

HUGH L. CAREY
GOVERNOR

April 11, 1978

Dear Mr. Glazer:

The quality of New York's waters is a particular concern of my Administration, and I recognize that the proper operation of sewage treatment plants is an essential element in water pollution control.

The Office of Environmental Manpower, a program unit of the Department of Environmental Conservation (DEC) receives State funds for the training of sewage treatment plant operators. The 1978-79 Executive Budget contains funds for the continued support of this program. Additionally, DEC has sought and received a number of grants from the Environmental Protection Agency (EPA) for the study of specific areas of concern in the field of operator training. A number of studies from prior years are now complete and funds for them will not be renewed by EPA. Funds for those projects that have not as yet been completed are continued in 1978-79.

The training of treatment plant operators will not stop. In addition to the programs funded as part of the regular budget, DEC is proceeding with the plans for a sewage treatment plant operators training facility. It will provide comprehensive facility management training to operators from around the State and will be the main element of the State's program to assist municipalities in their training effort.

This facility is anticipated to be operational in the summer of 1979. Therefore, funds to staff it were not made part of DEC's budget for this fiscal year.

With particular respect to the continuation of the program at Ulster County Community College, now in its third year, I understand that while funding remains uncertain at this time, the EPA has informally concurred with the priority of your project for funding from whatever authorizations are finally available.

I have instructed both the State's Washington Office and the Department of Environmental Conservation to continue efforts on behalf of the State of New York to assure that funding is included to continue this project.

Sincerely,

Hugh L. Carey

Professor Richard B. Glazer
Project Director
Water Monitoring Instruction Systems
Ulster County Community College
Stone Ridge, New York 12484

3P

New England Interstate Water Pollution Control Commission

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March 25, 1977

Dr. Bruce Hanes, Chairman
Department of Civil Engineering
Tufts University
Medford, Mass. 02155

Dear Dr. Hanes:

Since the Commission will not be meeting until April 21-22, it will not be possible to get reaffirmation of our 1975 Resolution in Support of EPA Training Grants until then. However, I do have every expectation that it will be reaffirmed when presented.

The Commission's Executive Committee, comprised of the Chairman and the directors of the State water pollution control agencies for New England and New York State, has concurred in the recommendation made by the Association of State and Interstate Water Pollution Control Administrators at its mid-year legislative meeting on January 31-February 1, 1977 that the appropriate portions of Section 104 continue to be funded and that EPA be urged to continue its support of all levels of training activity.

As you know, the Commission has a strong commitment to continued training through the operation of its operator training school in Maine. We are also aware of the limited number of qualified engineers in water pollution control. This fact was realized when the NEIWPCC attempted to employ engineers for a 12 to 18 month period to assist the Commonwealth of Massachusetts in its construction grants program. There were few engineers available.

With due consideration to the above, I am sure that the Commission will reaffirm its resolution in support of training during its meeting on April 22, 1977. I believe that this point could also be made a matter of record during your Congressional testimony in early April.

Sincerely,

Alfred E. Peloquin
Executive Secretary

AEP:jpc

SUPPLEMENT TO ENVIRONMENT REPORTER
SUMMARY OF ASIWPCA MEETING

The following actions at the ASIWPCA meeting were either not covered or not adequately covered in the Environment Reporter summary published on February 4, 1977.

Section 404 - ASIWPCA accepted my recommendation that a Task Force be established to review the ICWP report on 404 and, subsequent thereto, develop an ASIWPCA position. If any State would like to volunteer for the Task Force, please advise Mike Mauzy (IL). I cast an affirmative proxy vote for CT, NH, RI and VT on this issue.

Decentralization - The members also voted to instruct President Mauzy to write to the EPA Administrator requesting a meeting to discuss decentralization as an objective of delegation of responsibilities. I cast an affirmative proxy vote for CT, NH, RI and VT on this issue.

Authorization Extensions - There was concensus, by voice vote, on the continued funding of Sections 104(u)(2) operator training, 104(u)(3) manpower forecasting, 105(h) R&D, 112(c) college training grants and 517, general EPA authorizations.

Needs Surveys - It was voted that ASIWPCA adopt a resolution, to be sent to the EPA Administrator, that future needs surveys be reviewed by the Committee of 10 prior to transmittal to Congress. I cast an affirmative proxy vote for CT, NH, RI and VT on this issue.

Section 208 - It was announced that the Court of Appeals had upheld the stay of allocation on the $137 million previously appropriated. The discussion on 208 is summarized on page 1488 of the Environment Reporter although the Reporter implies only one vote on retention of the $300 million until expended and the 100% and 75% funding issue. My notes indicate separate votes on these issues.

I cast an affirmative proxy vote for CT, NH, RI and VT on the retention of the $300 million until expended and abstained on the question of the Federal share being 100% for initiation of the plan and 75% carrying out, updating and maintaining the plan.

NEW ENGLAND STATES - COORDINATED
AIR USE MANAGEMENT
(NESCAUM)

Resolution

WHEREAS, NESCAUM and other state, local, and Federal environmental agencies will continue to need adequately trained personnel to implement environmental management programs,

WHEREAS, a number of national studies on environmental manpower indicate a need for trained personnel which far exceeds the current number of personnel to implement environmental management programs,

WHEREAS, environmental problems are becoming increasingly complex requiring personnel with more extensive training than are currently available,

WHEREAS, the training grants and direct training programs of the U. S. Environmental Protection Agency are contributing to the education of environmental engineers and specialists through traineeship support of students in professionally recognized university and college programs, and through direct training at no cost to state and local agencies,

WHEREAS, the academic training program is scheduled for termination in the 1978 fiscal year,

WHEREAS, termination of this support will cause a shortage of adequately trained manpower resulting in an inability to implement the Clean Air Act.

AND WHEREAS, NESCAUM can produce documented evidence that these programs and students have served as a substantial resource for NESCAUM members and related agencies in providing qualified individuals to fill professional positions.

NOW, THEREFORE, BE IT RESOLVED, that NESCAUM endorses the EPA Training Program and encourages the U. S. Congress to mandate the U. S. Environmental Protection Agency to continue this important function at a level necessary to support state and local governments in implementation of the Clean Air Act.

That the Chairman of NESCAUM be directed to transmit this resolution to appropriate agencies and legislative representatives.

New England Staff - Coordinated
Air Use Management

By Richard A Valentinetti
Chairman, Richard A. Valentinetti

Date March 17, 1977

RESOLUTION IN SUPPORT
OF
EPA TRAINING GRANTS

WHEREAS: EPA Training grants have provided needed support in the development of environmental engineers, technicians, and treatment plant operator personnel through grants to colleges, universities, and specialty schools such as the New England Regional Wastewater Institute in South Portland, Maine;

WHEREAS: Trained and skilled personnel will continue to be needed to implement and maintain the provisions of P.L. 92-500 and to operate at optimum efficiency the water pollution control facilities existing, under construction, and proposed;

WHEREAS: The National Environmental Protection Act of 1969 and the Environmental Quality Act of 1970 show a need in excess of 104,000 persons for the environmental field for 1976, and

WHEREAS: An EPA Report to Congress in 1973 shows a 1980 need of 500,000 persons for environmental protection;

NOW THEREFORE BE IT RESOLVED: That the New England Interstate Water Pollution Control Commission endorses the EPA Training Grants Program and urges the Congressional appropriation of adequate funds to maintain the program at an effective and viable level, and

BE IT FURTHER RESOLVED: That a copy of this resolution be transmitted to the Administrator of the EPA, the Congressional Delegation from the Compact Area, and the members of the House and Senate Appropriations Committees.

Adopted unanimously at Scarborough, Maine
June 20, 1975

Alfred E. Peloquin
Executive Secretary

RECEIVED
JUN 30 1975
CIVIL ENGINEERING DEPT.

R-6

RESOLUTION PASSED AT THE 1975 ANNUAL MEETING
UNIVERSITIES COUNCIL ON WATER RESOURCES
AUBURN, ALABAMA July 30, 1975

RESOLUTION ON
PROFESSIONAL MANPOWER NEEDS

WHEREAS, estimates of professional manpower needs are an essential element in planning education and training programs at universities and elsewhere; and

WHEREAS, the Environmental Protection Agency, the National Academy of Sciences, the Department of Labor, the National Science Foundation and others have need for a variety of scientific manpower; and

WHEREAS, there is a national need for professional manpower in water related fields at the local, state, and federal governmental levels and by private entities; and

WHEREAS, the National Academy of Sciences currently has underway a study of Environmental Manpower needed to meet the environmental standards of existing federal legislation;

THEREFORE, BE IT RESOLVED that the Universities Council on Water Resources (UCOWR) commend the Congress for directing the National Academy of Sciences to do this environmental manpower study and offer its assistance in forwarding input for this study;

THEREFORE, BE IT FURTHER RESOLVED that UCOWR ask the Environmental Protection Agency, the National Academy of Sciences, the Department of Labor, and the National Science Foundation to provide financial and other assistance to carry out a manpower study that will: (1) Identify the manpower components of the water resources field; (2) Project the needs of water resources development and management for professionally trained manpower; and (3) Design a continuing process for updating estimates of manpower needs and suggest methods for meeting these needs.

RESOLUTION

in

SUPPORT OF THE EPA

PROFESSIONAL TRAINING GRANT PROGRAM

WHEREAS: the successful implementation of the laws concerned with Air and Water Pollution Control as well as the Safe Drinking Water Act requires professionally educated men and women in environmental fields of study;

WHEREAS: there is now an insufficient number of professionally trained personnel at the Master's level to implement these laws;

WHEREAS: the Federal Government has the responsibility for the implementation of these laws which are for the public benefit;

NOW THEREFORE BE IT RESOLVED: By those present at the October 3, 1975 meeting of the Northeastern Region Civil Engineering Department Heads the endorsement of the continuation of the Professional Training Grant Program in Air and Water Pollution Control and the encouragement of the Environmental Protection Agency to reconsider their present phase-out plan, and

BE IT FURTHER RESOLVED: That a copy of this resolution be transmitted to the Administrator of the EPA, the Congressional Delegation from our respective states and the members of the House and Senate Appropriations Committee.

Adopted at Hanover, New Hampshire
October 3, 1975
by vote of:

Affirmative	Opposed	Absentsiums
14	0	4

Exhibits Seven and Eight

A letter sent to the students of Ulster County Community College's Water Quality Monitoring Program for their exceptional performance during their cooperative education experience with the State of New York Department of Parks and Recreation. The letter was sent by Orin Lehman, Commissioner of New York State Parks and Recreation.

This program is one of those funded under Section 109A by the Training Grants Branch, Division of Manpower and Training, United States Environmental Protection Agency.

An article published by WATER AND SEWAGE WORKS, October 1976, on the same program at Ulster County Community College.

STATE OF NEW YORK
PARKS AND RECREATION
ALBANY

ORIN LEHMAN
COMMISSIONER

September 15, 1976

Dear Vincent:

I would like to express my appreciation to you for your exceptional performance during the recent environmental crisis. With your help we were able to present to Congress a comprehensive picture of the extent of the pollution of our magnificent beaches. Thank you for the many extra hours of effort.

Sincerely,

Orin Lehman

Mr. Vincent Buono
Office of Parks and Recreation
Environmental Management Bureau
Empire State Plaza
Agency Building No. 1
Albany, New York 12238

WATER MANAGEMENT

Water Monitoring Training Allows Curriculum Flexibility

Ulster Community College in Stone Ridge, New York, has developed a water quality monitoring program designed to meet the requirements for Associate Degrees in Applied Science at appropriate two-year colleges. The project was funded by the Training Grants Branch, Division of Manpower and Training, U.S. Environmental Protection Agency.

EPA proposed the development of the program to serve as a national standard. The agency further proposed that the curriculum be written so that a sequence of courses, one course, or parts of a course could be extracted and recombined to form workshops, short training institutes, seminars, or diploma programs.

The program in effect at Ulster is designed to meet the needs for technicians to monitor for the National Pollutant Discharge Elimination System and Safe Drinking Water Act. In addition, it will prepare a technician to perform process control laboratory procedures for water and wastewater treatment plant operations, as well as to perform a variety of procedures required by water quality regulatory agencies.

It applies the behavioral objective format to a two-year degree program in water quality monitoring based on the on-the-job needs of water quality technicians. It provides the opportunity to construct a total learning package, including clearly defined instructional objectives, instructional guides, and audiovisual modules. The graduate will fill positions with regulatory, municipal, industrial, manufacturing, and consulting organizations.

The program described could be applied to the development of curricula for a variety of subjects: environmental, health, liberal arts, and others. Project Director Professor Richard B. Glazer explains that each course in this curriculum is introduced with a statement of purpose and then broken down into a number of units of instruction, each containing an objective (OBJ), learning conditions (COND), and a performance level (PL).

The statement of purpose is a synopsis of the course material and explains what the student will be studying. It deals with the relevance of the subject material and explains whey the student is to master the course skills and knowledge covered in the course. The student should understand how the course fits into the total sequence of his learning.

The OBJ tells the student precisely what he must be able to do after mastering the unit of instruction.

The COND tells the student (and the instructor) the circumstances under which

the student will perform, or the objects, information or assistance the student will have access to while performing. The student should perform under conditions as close to real situations as is practical in the instructional situation.

The PL tells the student the acceptable level of performance that will be required of him to demonstrate mastery of the objective.

This format describes in measurable terms the skills and knowledge to be learned and furnishes the student with a clear definition of what he must know to successfully complete the program. This can be seen by the structure of this example objective from the Chemistry 101 course.

OBJ Describe and demonstrate the correct method for cutting, bending, and fire polishing a piece of glass tubing. Explain why these steps are performed.
COND Given a burner, triangular file, 10 in. of soft glass tubing, and an asbestos pad.
PL The glass tubing should be scratched with one firm stroke of the file, leaving a clearly visible scratch, then smoothly broken with thumbs placed opposite the scratch. Fire polishing should leave no roughness nor constrictions. A simple bend to 90 degree ± 10 degree with no visible constrictions, flattening, or dislocations from the plane of the bend. Also, neither student, instructor, nor tabletop should be burned with hot glass! The entire operation should require no more than 15 minutes.

The behavioral objective format of this curriculum offers instructors and curriculum developers the flexibility to develop a multitude of pathways—to meet varying or changing training and technician needs—that cannot be developed using the classical course description approach. These pathways enable students to enter and proceed through the curriculum from different entry points, or to obtain partial skills which may not lead to a degree but will still make the individual employable or more useful in his occupation.

The sequence in which each course in each subject area should be taken and the relationship of one subject area and course to another are noted in **Figure 1.** The service courses in Chemistry, Biology, Mathematics, and English are to be taken in the semester prior to the one in which mastery of the subject area is needed for the Environmental Science sequence. The social sience course and the electives can be taken wherever it best fits into the student's two-year schedule.

(In all subsequent examples the trainee must meet required prerequisites or demonstrate mastery of the skills at the performance level indicated in the individual curriculum courses.)

An entering trainee with an associate degree in the sciences or related fields should be allowed credit for all courses successfully completed. An example of this would be a prior degree in chemical technology as illustrated in **Figure 2.** Thus, a program can be designed to provide entering trainees with the knowledge and skills necessary to complete the Environmental Science sequence in about one year.

The program offers the treatment plant

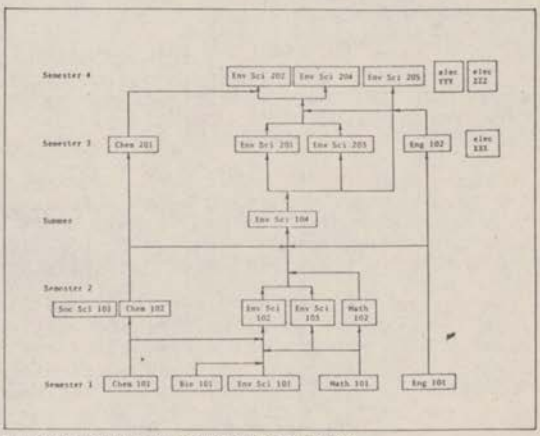


Figure 1. Course sequence and subject area relationship.

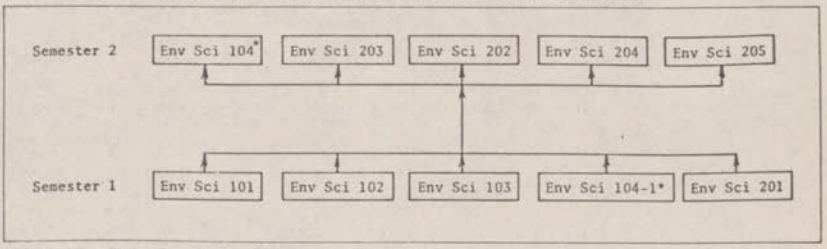


Figure 2. Entry with Associate Degree in the sciences or related fields.

*Env. Sci. 104 is divided so that one credit hour is taken the first semester and two credit hours the second semester. Alternatively, the course could be taken during the regular summer practicum at the end of the second semester, or it could be taken as an independent study course consisting of part-time work in a treatment plant during the school year.

Mr. BOLAND. Senator John C. Culver has submitted the following statements for the record concerning the HUD-Section 312 program.

STATEMENT OF SENATOR JOHN CULVER
HOUSE APPROPRIATIONS SUBCOMMITTEE ON
HUD-INDEPENDENT AGENCIES
WASHINGTON, D. C.
APRIL 13, 1978

Mr. Chairman: I wish to express my full support for increased appropriations for the Department of Housing and Urban Development (HUD) 312 loan rehabilitation program, in the form of supplemental appropriations for fiscal year (FY) 1978, and increased funds for FY 1979.

As you are aware, Mr. Chairman, loans made under Section 312 are an important tool used by our cities to rehabilitate properties to meet applicable code requirements in urban renewal and code enforcement areas. These Section 312 loans help prevent the unnecessary demolition of basically sound structures.

This program has won well-deserved praise from HUD officials, local government administrators and citizens across the country. It assures effective use of tax dollars by making funds directly available, at reasonable rates of interest, to persons dedicated to the rebuilding of our cities.

Mr. Chairman, the 312 program needs the immediate attention of Congress in two areas. First, funding levels for fiscal year 1978 are wholly inadequate to meet present needs. Only four months into the year, many local government officials who had been led to anticipate sufficient funds, now find that the waiting lines are long and the prospects for loans minimal. We need supplemental appropriations this year to begin to meet present obligations.

Second, the 312 program should have substantial increases in budgetary commitments by Congress in future years so that this highly successful program can be made more widely available. I was pleased to note that President Carter, first in his proposed FY 1979 budget, and then in his Urban Policy Statement, demonstrated support for substantial increases in future funding for the HUD 312 program. I strongly endorse the President's request.

The need for supplemental appropriations for 1978 stems from the recent and apparently unanticipated increase in demand for 312 funds which has outstripped HUD's capacity to serve the present needs of our cities. Some urban officials, after initial conversations with HUD officials, had anticipated larger 312 awards than, in fact, they are now receiving. Present funding levels, generated solely by anticipated carryover and loan repayment receipts, simply are inadequate to finance the earlier, informal commitments made by HUD.

The city of Sioux City, Iowa, provides a case in point. A recent delegation of public officials and private citizens from Sioux City clearly illustrated to me the detrimental impact this funding shortage has had upon their municipal housing rehabilitation program. Mr. Chairman, as Sioux City Mayor Donald L. Lawrenson explains in testimony, which I am submitting for the record, as late as December of 1977, representatives from HUD's Region VII office in Kansas City apparently intimated that an allocation level of approximately $500,000 would be forthcoming in FY 1978 for Sioux City. However, due to the recent increase in funds allocated to other Region VII cities based on their own accelerated demands, Sioux City has now been informed that its allotment will be sharply reduced to between $70,000 and $100,000. This cutback occured after Sioux City officials made substantial commitments of local staff and money to the program, in anticipation of the initially projected funding level. Mr. Chairman, upon hearing of Sioux City's dilemma I wrote to the subcommittee requesting that supplemental appropriations be made to the 312 program for 1978. I have included a copy of that letter, to be included in the record.

Similar unfortunate experiences have been shared by other cities, including Burlington, Iowa. Burlington Mayor Thomas E. Diewold has outlined the problems created for his constituents when rehabilitation efforts were cut short by the unexpected HUD 312 funding depletion. According to Mayor Diewold, the City of Burlington has made a significant contribution of administrative resources to develop a capacity for effective use of anticipated 312 monies. In addition, Burlington officials strove to develop an interest and enthusiasm among eligible users of the program. Now, the lack of funds may jeopardize this effort.

Mr. Chairman, the testimony of these officials from Sioux City and Burlington, Iowa, seriously demonstrates that FY 1978 supplemental appropriations are needed for the HUD 312 program. Present funds, supplied entirely by anticipated carryover and loan repayment receipts, do not meet the immediate needs of our cities, especially those which had anticipated more substantial funds this year.

To help assure that funding bottlenecks such as these will not occur again next year, it is necessary to increase markedly the appropriations for the 312 program. In recent years, many cities have turned from revitalization strategies of the past -- which emphasized clearance and redevelopment efforts -- to new approaches which focus upon neighborhood conservation and rehabilitation goals. As Mr. Lew V. Pond, Director of Urban Development for the City of Des Moines, Iowa, states, in testimony I am submitting for the record, the Section 312 is a particularly useful and needed program. In the future, the City of Des Moines intends to increase its emphasis upon the 312 program to help stimulate rehabilitation efforts.

Mr. Chairman, section 312 is an eminently useful and beneficial program, and members of Congress can anticipate a continued acceleration of demand for 312 funds next year and in years that follow. Therefore, I hope the subcommittee will give every possible consideration to an appropriation for the 312 program in FY 1979 at levels requested by President Carter in his Urban Policy Statement.

I appreciate the opportunity to explain my views on this matter for the subcommittee. I respectfully request that my letter of January 31, 1978 to the Chairman and the written testimony of Mayor Lawrenson, Mayor Diewold, and Mr. Pond be made a part of the record.

United States Senate
WASHINGTON, D.C. 20510

January 31, 1978

The Honorable Edward P. Boland
Chairman
House Appropriations Subcommittee on
HUD-Independent Agencies
H-143, the Capitol
Washington, D.C. 20515

Dear Eddie:

I wish to voice my full support for an additional appropriation to be made to the HUD 312 loan rehabilitation program, to provide supplemental financing for this present year, FY 1978.

As you are aware, Mr. Chairman, loans made under Section 312 are an important tool used in the efforts of our cities to rehabilitate properties to meet applicable code requirements in urban renewal and code enforcement areas. An important function of loans made through Section 312 is to prevent the unnecessary demolition of basically sound structures.

I am informed by officials at HUD that an unexpected national surge in utilization of the HUD 312 program largely accounts for the funding shortages that now exist. I am pleased to note that President Carter has recommended sizeable increases in the appropriations to be made for Section 312 in FY 1979.

In addition, however, I believe some immediate steps should be taken to increase appropriations for FY 1978. Present funds, which are generated solely by anticipated carryover and loan repayment receipts, simply are inadequate to meet the immediate needs of our cities, especially those which had been led to anticipate a greater allotment of funds for this year.

A recent delegation of public officials and private citizens from Sioux City, Iowa, clearly illustrated to me the serious effects this Section 312 funding shortage has had upon their own housing rehabilitation efforts. I have enclosed a copy of a letter I received from Mayor Donald Lawrenson which describes the situation. In this letter, he states that as late as December of 1977, representatives from Sioux City and HUD's Region VII office jointly had projected allocations to Sioux City

of approximately $500,000 in FY 1978. However, due to the recent increase in allocations awarded to other Region VII cities, Sioux City has now been instructed that their loan fundings will be sharply diminished to between $70,000 and $100,000.

Of course, Mr. Chairman, this sudden cut in loan appropriations has created difficult problems for the governing officials of Sioux City, who had already allocated significant resources of their own to the planned rehabilitation efforts. And due to the unpredicted shortage of Section 312 funds, I feel that this program may now be hampering, rather than helping, many other cities such as Sioux City to rebuild and revitalize themselves.

I am convinced that Congress should now move to ease pressures caused by funding shortages within Section 312. Based upon the high merits of Section 312 and its continued utilization throughout the nation, I believe a supplemental appropriation, sufficient to carry the program through FY 1978, deserves prompt affirmative consideration.

Best regards.

Sincerely,

JOHN C. CULVER

JCC:jl
Enclosure

The Honorable Edward P. Boland, Chairman
Subcommittee on HUD-Independent Agencies
Committee on Appropriations
U.S. House of Representatives
H-143, U.S. Capitol Building
Washington, D.C. 20515

Dear Mr. Chairman:



I would like to thank you for this opportunity to speak to your committee on an issue which I believe to be of vital importance to the success of the City of Des Moines neighborhood conservation programs.

President Carter, in his urban policy message delivered on March 27, has proposed that an additional $150 million be added to the proposed $125 million allocation for Section 312 Loans for Fiscal Year 1979. The City of Des Moines strongly supports this proposal and respectfully recommends its approval by your committee.

The Section 312 Loan Program is now an integral part of the City's efforts to eliminate blight and decay in declining neighborhoods. As in the case of many other cities, we have turned in recent years from revitilization strategies which utilize clearance and redevelopment to approaches which emphasize neighborhood conservation. Consequently, a large share of our Community Development Block Grant entitlement is allocated each year toward property rehabilitation programs. Most of these funds are set aside for rehabilitation grants to elderly, handicapped, and very low income homeowners in our designated target areas. However, a great many other owners have only marginal abilities to finance home improvement and are unable to obtain funds from local lending institutions at terms attractive enough to stimulate rehabilitation.

Because of this, the City has turned to the Section 312 Loan Program to complement our other rehabilitation efforts. The program has proved effective for the following reasons:

First, the program is administered in a manner that allows the City to have strong control over the type of improvements made and the quality of materials and workmanship incorporated into the improvements.

Secondly, efforts at establishing alternative loan programs at equally favorable interest rates have proved to be less than successful. We are very reluctant to begin direct lending

of C.D. funds at low interest rates because of the long term servicing obligation and the demands of other programs against our C.D. entitlement. In addition, the City has strongly encouraged local lending institutions to support local conservation efforts where the City's involvement with federal funding has been minimal. This includes the Des Moines Neighborhood Housing Services Program which is today effectively implementing a rehabilitation program with excellent lending institution support in a neighborhood outside those served by C.D. programs. Any effort to involve these institutions in C.D. areas will work against our Neighborhood Housing Services objectives.

Thirdly, locally generated programs can be very costly. We have explored the possibility of awarding grants to homeowners to reduce the effective interest rate on home improvement loans to 3% but find that this would mean allocating about one dollar of grant for each two dollars borrowed.

Lastly, the default rate on 312 Loans has traditionally proved to be very low, resulting in minimal federal financial exposure. This has been true because loans are generally made to long-term owners of property who have an intent to remain in their neighborhoods.

The City has initiated two Section 312 Programs, one in support of a grant program in three designated target areas, and the other targeted to moderate income persons in all Community Development areas. Quite unexpectantly, the Fiscal Year '78 loan allocation was exhausted after only four or five months. At present, 48 loan applications at an average loan of $7500 are pending approval with many ready for submission at the present time. It is anticipated that should 312 Loan funds become available again, the number of applications would more than double.

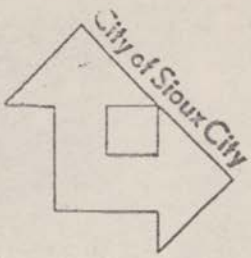
The early depletion of the Fiscal Year '78 appropriation of $90 million has dramatically demonstrated the popularity of this program. It also provides evidence that the proposed Fiscal Year '79 authorization of $125 million would also be inadequate to meet the demand. It can be anticipated that funding at this level would be exhausted early next year, resulting in a reoccurance of the frustration and delays we are experiencing at the present time. Therefore, I strongly encourage your committee's support of an increase of $150 million in the Section 312 Loan authorization for Fiscal Year 1979.

Thank you very much for the opportunity to make this presentation to your committee.

Respectfully,

Lewis V. Pond
Director

LVP/ljt



OFFICE OF THE MAYOR
305 City Hall
Telephone 712/279-6102

April 10, 1978

Representative Edward Boland
Chairman, House Appropriations Subcommittee
Washington, D.C.

Dear Sir:

I am pleased to have the opportunity to present our feelings about President Carter's recent proposal to increase the HUD Section 312 housing rehabilitation loan program appropriation. The President is asking for $150 million in addition to HUD's original request for $125 million. We strongly agree with Mr. Carter's proposal to increase the appropriation for the HUD Section 312 loan program.

The importance of the appropriation is especially evident in our City. The City of Sioux City is currently using Community Development funds to finance rehabilitation grant and loan programs for low income families, the elderly and the handicapped. We use the 312 program to supplement our CD funded rehabilitation programs. The Rehabilitation staff has had experience with the 312 program since 1972 and believe it is a good program, one that we have made work in Sioux City. Because it is a program that works, it has become popular and we have developed a dependence on it to supply our low income families with rehabilitation funds at an interest rate and term they can afford. This is especially true for our elderly applicants who have fixed incomes and make up 65% of our caseload.

After receiving strong indications of increased 312 appropriations repeatedly from the HUD area office in Kansas City, the City began to build an entire rehabilitation program around the very popular Section 312 program. A Loan Officer was hired to give special attention to the processing of loans. Plans to move outside the urban renewal area to undertake strict code enforcement have also been initiated with the expectation of increased 312 funds. However, we recently were informed that Sioux City would receive much less 312 funding than we had requested for this fiscal year because the program has grown in popularity and more and more cities are competing for the 312 monies. This illustrates the need for additional 312 funding nationally. An interest has been developed in our urban renewal areas and after assuring neighborhood organizations that the Section 312 program can be used successfully, staff is now faced with the problem of maintaining our credibility. In addition,

should the City of Sioux City continue to experience a reduction of Section 312 funds, the City will surely be unable to effectively administer any rehabilitation efforts in our already established Urban Renewal areas. The possibility of the demolition of basically sound structures also arises.

We sincerely hope that Congress will realize the great importance of the 312 program to all cities attempting to eliminate urban blight and, therefore, approve the additional $150 million necessary to properly fund the HUD Section 312 program.

Sincerely,

Donald L. Lawrenson
Mayor

DLL/dw

City of Burlington, Iowa

PROGRESSIVE GOVERNMENT ON THE MISSISSIPPI

BURLINGTON, IOWA 52601

April 7, 1978

APR 12 12 47 PM '78

Edward P. Boland
Chairman of the Subcommittee on HUD Independent Agencies
Committee on Appropriations
House of Representatives
Washington, D. C. 20510

Dear Mr. Chairman:

We understand that your subcommittee will soon be considering supplemental appropriations for the HUD 312 Loan program. While we recognize the many demands of your position and requests made to your committee, we in Burlington feel it necessary to express to you and the committee the great importance of that appropriation to our city.

Burlington is an old city on the Mississippi river with scenic bluffs and lovely river views. However, the City of Burlington, with a population of approximately 32,000, also has an extremely old housing stock, sixty-seven percent of which was built before 1940, and many before the turn of the century. In an effort to conserve that housing stock, in 1973, the City, with assistance through the Department of Housing and Urban Development made a strong commitment to neighborhood preservation through the Neighborhood Development Program with housing rehabilitation as one of our major program activities.

During the early years of the program, because of the sporadic nature of the program funding, the City did not participate in the 312 Loan program. However, in 1977, in light of indications of available funding and because of growing expertise on the part of the City's rehabilitation staff, Burlington made a commitment of program resources to expand our rehabilitation staff. Since that time, and with the assistance of the Regional Office of the Department of Housing and Urban Development, the City's expertise in the 312 program has grown. Our current 312 workload includes a 10-unit multi-family dwelling with an estimated rehabilitation cost of $65,000, a duplex with estimated rehabilitation costs of $21,000, and numerous single-family dwellings, both owner-occupied and investor-owned with estimated rehabilitation costs of varied amounts. These loans are now being processed by the City's staff, and our only recourse, if the situation does not change, is to inform these people that their efforts and ours were in vain.

BURLINGTON
ON THE MISSISSIPPI

In addition, and of even greater concern, we have developed interest and enthusiasm among potential users of the program. The lack of funds will jeopardize if not destroy this interest, as well as create serious doubts as to the City's credibility, potentially damaging our entire revitalization effort.

Mr. Chairman, we ask your support and that of your committee in this important matter. The success of the City of Burlington's Community Development effort depends on the availability and effective use of a variety of revitalization mechanisms, and a supplemental appropriation for the 312 Loan program this fiscal year would provide one such mechanism.

Sincerely,

Thomas E. Diewold

Thomas E. Diewold
Mayor

am

cc: Senator John C. Culver
Senator Richard Clark
Congressman James Leach
National Association of Housing and Redevelopment Officials

Mr. BOLAND. We have received a statement from Congressman George Brown regarding the National Science Foundation. We will place his statement in the record at this point.

[The statement follows:]

STATEMENT OF CONGRESSMAN GEORGE BROWN

TESTIMONY OF HONORABLE GEORGE E. BROWN, JR.

CONGRESSMAN FROM THE 36TH DISTRICT OF CALIFORNIA

BEFORE THE SUBCOMMITTEE ON

H.U.D. - INDEPENDENT AGENCIES

REGARDING

THE NATIONAL SCIENCE FOUNDATION

Chairman Boland and members of the Subcommittee on H.U.D.-Independent Agencies, I am delighted to submit testimony regarding the National Science Foundation, and in particular regarding its Applied Science and Research Applications Directorate.

I realize that this Subcommittee has expended much energy in this area and has heard extensive testimony from NSF and other witnesses. Therefore, I will endeavor to be brief in my remarks.

As a member of the Science and Technology Committee, having the honor of chairing its Subcommittee on Environment and The Atmosphere and as a member of the Technology Assessment Board, I have been particularly interested in the utilization of our fine scientific talent and resources to help solve our pressing national needs in such areas as energy, the environment, and industrial innovation.

Mr. Chairman, much has been debated about the condition of our scientific talent and resources. I do not intend to reopen this entire debate. Most people, however, agree that a direct and

historic relationship exists between scientific and technologic knowledge and application and the standard of living. President Carter recognized this importance in his State of the Union address last January.

> The health of American science and technology and the creation of new knowledge is important to our economic well-being, to our national security, to our ability to help solve pressing national problems in such areas as energy, environment, health, natural resources . . ..

And, it is likely not coincidential that our low period of technologic innovation in some areas of U.S. industry, steel and textiles, for example, overlaps a low period in our national economy.

The basis for using science in the ways mentioned above is rooted in basic research, and H.R. 11400, the NSF authorization Bill, allows for the NSF to adequately fund basic research.

Mr. Chairman, I am sure the NSF and other witnesses have provided your Subcommittee with excellent testimony on the NSF; its directorates and many programs and subactivities.

However, Mr. Chairman, I am quite concerned about the applied science and research applications FY '79 funding levels and the impacts this funding may have on the future of applied research in the NSF. An 18 member "Science Applications Task Force" was convened to consider how best to conceive of and organize applied science at the NSF. Two

of their recommendations were:

1. We believe it essential that there continue to be applied research in NSF, and that this continue to be strengthened . . .

2. We believe it desirable that there continue to be vigorous research applications programs supported by NSF . . ..

The new ASRA directorate is structured both to meet these and other recommendations of the Task Force and to complement the NSF's traditionally strong role in basic research.

However, Mr. Chairman, the ASRA directorate authorization for fiscal year 1979 is only $57 million in new funds. This is an increase of just $4.6 million from the FY '77 obligations; not quite a 7% increase in a period where we had double digit inflation. This history raises the issue of how well we can meet the industrial innovation, energy, and other problems of the future.

I wish to make one more point, Mr. Chairman, and that concerns the Problem-Focus Research Applications Subactivity. Many members of the Congress, and other citizens have expressed considerable concern over the presence of hazardous chemicals in our environment. Several committees, Congressmen, and the Office of Technology Assessment are expending considerable time and resources in developing policies and alternatives for effectively and equitably dealing with this issue. Also, the problems of providing clean and potable water for our communities have been touted as "the crisis of the 80's." The plight of the Western States is probably the best known but the Army Corps

of Engineers reports an equally serious threat of water shortages throughout the nation, particularly the Northeast states, metropolitan New York City and metropolitan Washington, D.C.

The Problem-Focused Research Applications subactivity of ASRA funds research in these two important areas; and from my review and understanding, the Chemical Threats to Man and the Environment and the Community Water Management programs have been performing admirably.

Yet, the funding of these two programs for FY '79 is below the 1977 program budget by some 44%; and this even without inflation. The severe budget restrictions of FY '78 resulted in some ongoing grants being cut approximately 25%. To name one example which I am familiar with, important and promising air pollution research by scientists of the Univeristy of California at Riverside was cut by just that 25% figure. The importance of this and similar work was just cited in the March 28, 1978 issue of Chemistry and Engineering News. I need not belabor the question of funding any further, Mr. Chairman. I'm sure the Subcommittee feels my concern. I recognize the concern the Congress and the Subcommittee has had regarding the old RANN directorate. The Science and Technology Committee believes that the new ASRA directorate is conceptually firm. Further, it will follow ASRA's progress closely. ASRA has promised but its new managers will need the full support of H.R. 11400.

This concludes my testimony, Mr. Chairman. Your Subcommittee has a weighty task and I am confident that it will give the views of the Science and Technology Committee ample consideration.

Thank you, Mr. Chairman and members of the Subcommittee. I will be happy to try to answer any questions you may have.

Mr. BOLAND. We have received a statement from Congressman Jerome A. Ambro regarding the VA-Medical Care budget. We will place his statement in the record at this point.

[The statement follows:]

Testimony of Congressman Jerome A. Ambro

submitted to the

Subcommittee on HUD and Independent Agencies

of the House Appropriations Committee

April 11, 1978

I thank the members of this subcommittee for the opportunity to share with them my views on the proposed Veterans Administration budget for FY79. The Veterans Administration is at a crossroads and I believe that the decisions made concerning this budget will determine whether or not our government is prepared to keep the promises made to the men and women who responded so quickly when our nation's freedom and security were threatened. The proposed reductions in the VA budget are of major concern to many of my constituents as they will have a direct and dramatic effect upon services presently provided them.

The President's budget proposal for the Veterans Administration substantially cuts back the money available to VA hospitals for Medical and Prosthetic research. While I applaud efforts to make the VA more efficient and economical, a close examination of the facts indicates to me that in a number of cases these acts would prove to be counterproductive and detrimental to the level of medical care provided to veterans. To see the actual effects of these acts, it is necessary to look beyond the dollar amounts involved.

To provide you with one specific example: The Northport VA hospital, located in my congressional district, is slated to lose $414,000 in research funds. While this may seem like a comparatively small sum it enables the hospital to attract $800,000 in grants from other sources and directly effects the hospital's ability to continue as a general medical/surgical facility.

In April of 1971, the Northport Veterans Administration Hospital, then a Psychiatric facility, signed an affiliation agreement with the School of Medicine and the Health Services Center of the State University of New York at Stony Brook. This affiliation and the research programs begun at that time enabled the hospital to attract sufficient qualified personnel and outside grants to convert from a Psychiatric facility to a desperately needed general medical/surgical facility. It was able to expand the services provided to the Nassau-Suffolk region's 403,000 veterans and begin development of programs in areas such as nuclear medicine, hemotology and oncology, thorasic and vascular surgery, cardiac care and cardiac catherization, and orthopedics. The University calculates that the salaries of those individuals paid by the School of Medicine or the School of Health Sciences who devote the majority of their time to the VA amount to approximately $615,000 a year, which is offset by $72,000 per year in salary paid by the VA to individuals on university lines. Large investments have also been made by the VA in the physical plant including the building of a new medical/surgical unit at the cost of $20 million.

The hospital has now been warned by the State University that if they are now unable to participate in research at the university it will withdraw 43 doctors and 50 students and cancel the affiliation agreement. The hospital will also lose much of their outside research funding and many of their recently acquired personnel who were attracted by research opportunities. In short, they will be forced to turn back the clock and revert to being a Psychiatric facility. Since this is the only general purpose VA hospital in the area, the consequences of these actions on the quality of medical care provided to Long Island's veterans cannot be underestimated.

I would also like to point out to the members of this subcommittee that this hospital is not, as are many other facilities, facing declining applications for treatment. In 1971, fewer than 4,000 applications per year were being received; during FY77 nearly 25,000 applications for treatment were received. The number of admissions has risen from fewer than 3,000 to over 7,000 per year, the number of patients treated from 3,700 to 8,000, and the number of outpatient visits from 135,000 to over 200,000 per year. In short, there is a clearly demonstrated need for this facility.

I hope that the members of this subcommittee will keep these facts in mind when reviewing these appropriations requests, and I thank the Chairman and the members of the Subcommittee for their time and consideration. I am confident that you will examine the facts carefully and arrive at a decision in the best interests of our veterans and this nation.

Mr. BOLAND. Congressman Paul G. Rogers has submitted the following letter for inclusion in the record.

[The letter follows:]

NINETY-FIFTH CONGRESS

PAUL G. ROGERS, FLA., CHAIRMAN

DAVID E. SATTERFIELD III, VA.
RICHARDSON PREYER, N.C.
JAMES H. SCHEUER, N.Y.
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TIM LEE CARTER, KY.
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JOE SKUBITZ, KANS.
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(EX OFFICIO)

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Congress of the United States
House of Representatives
Subcommittee on Health and the Environment
of the
Committee on Interstate and Foreign Commerce
Washington, D.C. 20515

April 12, 1978

The Honorable Edward P. Boland
Chairman, Subcommittee on HUD
and Independent Agencies
H 143 Capitol
Washington, D. C. 20515

Dear Ed:

I am writing to urge your support and that of your subcommittee for an adequate appropriation to carry out section 175 of the Clean Air Act. This is a matter of great importance, to which I hope you will devote special attention.

Background. Section 175 of the Clean Air Act was added to the law in 1977 by P.L. 95-95. That section authorizes the Administrator of the Environmental Protection Agency to award a total of $75 million to local governments to help develop legally-binding requirements relating to control of transportation-related emissions for the State implementation plans under the Act. The Administration's urban policy statement recognizes the importance of funding this authority, but provides a woefully inadequate amount in light of the seriousness and dimensions of the problem.*/ The reasons for a minimum appropriation of $50 million in this fiscal year (and $25 million for next year) are spelled out below.

Protection of Health. The Environmental Protection Agency has recently announced that 104 air quality control regions (out of a total of 247 in the country) are currently violating the national primary (health-related) ambient air quality standard for photochemical oxidants. Over 100 million people reside in these areas now subject to unhealthy air pollution levels. Studies have shown that excessive oxidant levels can cause or aggravate asthma, emphysema, chronic heart and lung disease, bronchitis, certain anemias, and may be implicated as mutagenic or

*/ The Commerce Committee's budget recommendation in this regard was for full funding of the Clean Air Act authorizations. Reference to $212 million should be construed to refer to the recommended budget figure in addition to funds budgeted for section 175.

carcinogenic agents or co-agents. Unless effective measures are developed and implemented, it appears that this health risk will continue to plague citizens of every metropolitan area of 200,000 people or more and many smaller communities as well.

Local Control and the Development of Reasonable Transportation Strategies. The 1970 Act largely placed EPA in charge of developing transportation strategies to attain healthy air quality in these non-attainment areas. The results were parking management, parking surcharge, indirect source, gas rationing, and other very unpopular and largely unworkable strategies. In order to avoid a repeat of this process, the 1977 Amendments clearly place the responsibility for developing legally-binding workable strategies on local governments. The amendments also sought to provide financial assistance to these communities to help meet this responsibility. Since the initial strategies must be developed this year, it is imperative that adequate funding be made available at once. Failure to provide adequate funds for local governments under section 175 will necessitate EPA intervention and may lead to a new round of controversy and contention. Prompt and adequate funding would help assure local control of these strategies and development of more effective and acceptable transportation-related air quality strategies.

Continued Economic and Employment Growth. Under amendments which the Senate insisted upon in the 1977 conference, new or expansion industrial construction permits may have to be withheld for those non-attainment areas which have failed to adopt and implement an adequate air pollution plan revision. Similarly, highway and sewage treatment construction grants may have to be withheld. In my view the best way to assure the continuation of adequate opportunities for economic growth and job opportunities is to assure that adequate State and local air pollution plan revisions are adopted on time. For this purpose, prompt and adequate financing of section 175 is essential. It is important to emphasize that this is not merely a theoretical planning process; it is critical to the development of effective legally binding provisions.

Adequate Funding. The National Association of Regional Counsels has conducted a recent survey of estimated funds needed under section 175 of the Act by selected areas. The following preliminary estimates of need for this fiscal year are presented:

San Diego	$ 450,000
Houston	1,800,000
Denver	800,000
Dallas	700,000
Atlanta	750,000
Los Angeles	2,000,000
San Francisco	1,500,000
Dayton	355,000

Although the Administration asked only for $25,000,000, this request was based on the assumption that only 10-25 major cities would receive aid. But EPA's own figures show that over 100 towns and cities will have to develop these strategies. Many of these towns such as Palm Beach and Springfield may need less extensive plans, but also have fewer resources to develop those plans than do larger areas with bigger budgets and more air pollution personnel.

Thus, I would recommend a minimum appropriation of $50,000,000 for this fiscal year, with the remaining $25,000,000 to be appropriated next year. If it can be shown that even more than $50,000,000 is required for the 104 nonattainment areas, then I would support and urge appropriation of the full amount needed up to the $75,000,000 authorization.

I would like the staff of the Health and Environment Subcommittee to work with your subcommittee staff and staff of the Budget Committee on this matter. I would also request that this letter be included in the record of your subcommittee's hearings. I appreciate your attention to these concerns and would be pleased to be of assistance in any way I can.

Sincerely,

PAUL G. ROGERS, M.C.
Chairman, Subcommittee on
Health and the Environment

PGR:cew

cc: The Speaker of the House
Robert Giamo, Chairman, House Budget Committee
Members, House Appropriations Subcommittee

Mr. BOLAND. The committee has received a letter from Congressman Teno Roncalio on the VA budget.

[The statement follows:]

STATEMENT BY

THE HONORABLE TENO RONCALIO

before the

APPROPRIATIONS SUBCOMMITTEE ON HUD & INDEPENDENT AGENCIES

THE HONORABLE EDWARD BOLAND, CHAIRMAN

April 21, 1978

Mr. Chairman:

Thank you for this opportunity to submit my written statement on the FY 1979 budget requests for the Veterans Administration.

In 1955, the VA programs had a 6.9 percent share of the total federal budget, by 1975 this share had decreased to 5.1 percent. The President's FY 1979 budget proposed for the Veterans Administration is only 3.8 percent of the federal budget. This, considered with the fact that the Veterans population has increased 40 percent since 1955, would indicate that the proposed VA budget is not adequate to meet the increasing demands for Veterans services. Perhaps one of the areas hardest hit by the Administration's budget cuts are the VA's health and medical programs, and it is this area which is of greatest concern to me.

I oppose the $32 million cut that would eliminate 3,137 hospital beds in 33 states. This is an unreasonable request, especially in view of the 17 percent rejection rate now maintained by most VA hospitals and the fact that many Veterans in need of hospitalization are being turned away. I urge the Subcommittee to restore these programs at least to their FY 1978 funding levels.

I ask the Subcommittee to increase funding for Medical and Prosthetic Research. VA physicians estimate that this program is short-funded by $25 million. It is estimated that 64 VA hospitals will be forced to discontinue their research programs, if this funding decrease goes into effect.

I oppose the $5 million dollar reduction in Grants for Construction of State Extended Care Facilities and urge the Subcommittee to increase this figure to at least the FY 1978 funding level of $10 million.

The President's requests for VA facility construction programs is $27 million dollars lower than the FY 1978 level. Construction funds for domiciliary facilities, for research and education, for outpatient improvements and other programs have been eliminated under this funding decrease. I oppose this substantial reduction in construction program funds and ask the Subcommittee to give favorable consideration to increase funding for Major and Minor Construction programs.

I would also like to address a specific concern that deserves the attention of the Subcommittee. The Veterans Hospital in Cheyenne is in need of expanded operating space for the Hemodialysis Unit in operation there. The number of patients using the Hemodialysis Unit in Cheyenne has increased at a rapid rate, and there simply isn't adequate operating space to accommodate the increased patient load. I ask the Subcommittee to give careful consideration to this situation and to include Minor Construction funds in your FY 1979 appropriations bill that could be used to remodel and enlarge the operating area for the Hemodialysis Unit at the Veterans Hospital in Cheyenne.

The proposed budget has inadequate funding requests for most of the compensation programs and for the GI bill education and training benefits. I urge the Subcommittee to increase funding for these programs in FY 1979 so that we can at least provide adequate cost-of-living increases for these programs.

Mr. Chairman, I thank you for your kind consideration of these remarks in regard to the FY 1979 budget proposed for the Veterans Administration and hope that you will take positive steps to increase funding for VA programs in FY 1979.

Mr. BOLAND. Congressman Ken Holland has submitted the following statement on the Career Education Incentive Act to be included in the record.

[The statement follows:]

Testimony of the Honorable Ken Holland
before the
House Appropriations Subcommittee on HUD-Independent Agencies
for the purpose of requesting the Subcommittee to
include funds for career education as authorized
in the Career Education Incentive Act.

Budget Recommendation
$0

Appropriation Request
$50 million

April 21, 1978

Congressman Ken Holland
South Carolina

April 21, 1978

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON HUD-INDEPENDENT AGENCIES

Mr. CHAIRMAN...I am grateful for the opportunity to appear before you and the Subcommittee, and do so today to respectfully request that the Subcommittee act to include in the fiscal year 1979 budget the maximum amount of funding for the purpose of career education as authorized in the Career Education Incentive Act.

Career Education is essentially an instructional strategy, aimed at improving educational outcomes by relating teaching and learning activities to the concept of career development. Career Education extends the academic world to the world of work, and in scope encompasses educational experiences beginning with early childhood and continuing throughout the individual's productive life. A complete program of Career Education includes an awareness of self and the world of work, broad orientation to occupations, in-depth exploration of selected (occupational) clusters, career preparation, an understanding of the economic system of which jobs are a part, and placement for all students.

It is in hopes of obtaining funding for career education through money authorized by the Career Education Incentive Act that I appear today. This Act makes a maximum of $50 million of Federal funds available to State and local educational agencies to implement comprehensive programs of career education in elementary and secondary schools. The underlying purpose of this bill is to insure that more emphasis be placed in the areas of career awareness, exploration, decisionmaking, and planning in the schools. Career education is intended to impact all instructional programs in elementary and secondary education, and also have implications for all teachers and students at these levels.

I believe this practical approach to education is truly valuable in assisting students to make sound decisions about the career they will pursue, in addition to providing them with the skill training they need to advance into a desired career or into higher education upon graduation. It is for these reasons, Mr. Chairman, that I urge the inclusion of funding for the Career Education Incentive Act at the maximum level authorized, and I appreciate the consideration of the Committee.

WITNESS

DR. ANTHONY D. CORTESE, DIRECTOR, MASSACHUSETTS DIVISION OF AIR AND HAZARDOUS MATERIALS

Mr. ALEXANDER. Next appearing before the subcommittee is Dr. Anthony Cortese, Director of the Department of Air and Hazardous Materials from the Commonwealth of Massachusetts.

Dr. Cortese, welcome to the Committee.

For the sake of conserving time, any prepared text you wish to offer may be submitted for the record. Your brief summarized statement will be included in the record.

[The complete statement follows:]

Testimony Regarding Environmental Protection Agency's FY-1979 Budget Request and States' Air Program Funding

April 13, 1978

Presented before the House Appropriations Committee

Subcommittee on HUD and Independent Agencies

Honorable Edward P. Boland, Chairman

Presented by Anthony D. Cortese, Sc.D.

Director, Massachusetts Division of Air and Hazardous Materials

Presented on behalf of: The State and Territorial Air Program Administrators (STAPPA) and the National Governors' Association (NGA) and the Commonwealth of Massachusetts

26-648 O - 78 - 31

THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF FEDERAL - STATE RELATIONS
Hall of the States, Suite 307
444 North Capitol Street, N.W.
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Michael S. Dukakis
Governor

Thomas P. O'Neill, III
Lieutenant Governor

The Honorable Edward P. Boland
Chairman
HUD - Independent Agencies
Subcommittee of the House
Appropriations Committee
2426 Rayburn House Office Building
Washington, D.C. 20515

Dear Representative Boland:

I would appreciate your careful consideration of the relationship between the budget of the Environmental Protection Agency and the Clean Air Act amendments. In that regard, I would like to present to you the following three areas of budgetary concern expressed by the State and Territorial Air Pollution Program Administrators (STAPPA), and the National Governors' Association (NGA).

105 Funding

During the past several years federal funding to state and local air pollution control agencies under Section 105 of the Clean Air Act has remained nearly constant. However, the number, complexity and sophistication of federally required programs have dramatically increased. A trend has developed to delegate more of these programs to the states where they can be administered more efficiently, and with more attention to local economic and energy concerns. The result is too little attention paid to too many problems, oversimplification of difficult issues as a means of reducing the staff resources needed to address them, declining professionalism with an attendant loss in morale, inadequate ability to involve the public and special interest groups in the time-consuming work of strategic planning for sensible environmental protection, and continued unacceptable levels of dirty air. State and local air pollution control programs are rapidly approaching a severe crisis in their ability to adequately discharge their legal responsibilities.

I would like to make 3 points about the need for increased Section 105 funding. First, without strong state and local programs the Clean Air Act cannot be implemented. EPA has only 500 people in its Regional Offices for day to day implementation of the Act. State and local programs have approximately 7000 people. A small increase in funding to state and local programs will go a long way to full implementation of the Act. Secondly, the Clean Air Act requirements for nonattainment areas and prevention of significant deterioration (PSD) greatly expand the role of all air pollution control agencies. These provisions involve us in land use decisions because of the limited ability of the air space to accomodate growth. Without proper funding state and local programs cannot assume the PSD program with the consequence that the federal government will be

controlling industrial growth in many states. This is clearly unacceptable to state and local governments. Finally, without adequate funding state and local programs will not be able to implement the requirements for state implementation plan revisions. This may result in a prohibition of badly needed industrial growth in our urban population centers.

Almost without exception, state and local air pollution control agencies share the Congressional concerns for clean air. We are ready and willing to implement the Clean Air Act. However, we cannot do so with the proposed EPA budget. We believe the FY-1978 supplemental appropriation should be $11.5 million and the FY-1979 appropriation should be $91 million.

The impact of inflation on state and local programs has been enormous. Section 105 funding has increased only from $52 million in FY-1974 to $58.5 million in FY-1978, an increase of 11.5%. During the same time period inflation alone increased costs by 38%! The problem has been compounded by the increased requirements of the Clean Air Act Amendments of 1977 and a change in the funding formula of the Act. Section 105(c) of the Act has been amended to read:

> "...no State shall receive less than one-half of 1 per centum of the annual appropriation for grants under this section for grants to agencies within such State."

The effect of this provision is to increase 105 funding by $2 million in 17 rural states.

I have summarized the current financial situation and the needs of 19 industrialized states in Tables 1 and 2. Time did not permit canvassing all the states. However, I would be glad to provide additional information if you so desire. As you can see from Table 1, the overall increase in 105 funding from FY-1976 to FY-1978 was only 4% while inflation was 20%.

States have made up for this effective cut in funding in different ways. As you can see from Table 3, some states have responded by increasing state funding. Most, however, have responded by not purchasing badly needed equipment for monitoring, by reducing or curtailing programs, and by increasing the time to respond to program needs, e.g., increasing the time for permit reviews. These strategies have a direct impact on people's health and on the nation's economy.

Recognizing these needs, EPA has requested a supplemental FY-1978 budget request of $8 million and an FY-1979 appropriation of $75 million. This would provide a $16.5 million increase in FY-1979 over current allocations. As you can see from Table 2, however, 19 states alone need nearly $14 million to carry out the minimum programs of the Clean Air Act Amendments of 1977. In addition, the $16.5 million increase over FY-1978 (28%) will not buy very much in the way of new programs since it will largely go to offset inflation. Further, most of the increase will not go to general support of state and local air pollution control programs. EPA intends $5 million to be spent on the development of automobile inspection/maintenance programs and $6 million to be awarded to Metropolitan Planning Organizations for transportation control plan development. When added to the $2 million increase for rural states the increase to large state and local programs proposed by EPA is $3.5 million not $16.5 million.

Section 175 Funding for Transportation and Urban Development Planning

The Clean Air Act, as amended August 1977, clearly requires the development of areawide transportation and urban growth plans which improve air quality in all major urban areas where sole reliance on the federal new car emissions control program and direct controls on industrial polluters will not assure attainment for auto-related pollutants by 1982. State data, recently released by EPA, confirms that no major American metropolitan area (with the single exception of Honolulu) is now in attainment. With the relaxation and delay of direct controls on auto emissions approved last year by the Congress, most of our cities will have to develop elaborate new control strategies in order to meet the cleanup deadlines.

Unlike past efforts to implement transportation control plans, the Act now requires that control measures result from a process which reflects extensive agency interaction at all governmental levels, involvement of local elected officials, effective public participation, and integration with the ongoing urban planning processes, particularly the transportation planning process. Urban areas which do not adopt and implement such plans will be subject to severe federal sanctions, most notably a cutoff of federal highway funds and a prohibition on construction of major new industrial facilities.

I believe Congress intended that air quality improvement become one of the most important goals of transportation system changes and urban planning. However, this cannot be accomplished without additional funding since the existing transportation planning process is consuming nearly all of its resources in achieving other social goals, e.g., improving travel convenience, promoting economic development. Congress recognized the need for substantial additional funds by authorizing $75 million for the development of these plans.

Although EPA recommended substantial funding in its budget submissions to OMB, the proposed EPA budget contained no funding for this purpose. This is incredible given the financial condition of many of our cities with serious air quality problems and the magnitude of the planning task. The President, in announcing his Urban Policy in March, recommended $25 million (spread over FY79 and FY80) for this planning program, the first hint of Administration support for it. This late commitment is of course encouraging, but $25 million is nowhere near enough to satisfy the need nationwide. Full funding is essential if Metropolitan Planning Organizations or other local government entities are to assume responsibility for this program. We therefore urge the Committee to appropriate the full $75 million authorized by the Clean Air Act in FY 1978 and FY 1979. This support is urgently needed if EPA is to avoid the unenviable choice of imposing transportation plans from the federal level, or imposing unworkable federal sanctions on further urban development.

Funding for Manpower Training

A third major concern is adequate funding of air pollution training programs. Even if our air pollution agencies receive enough funds to allow for minimum acceptable staffing, we must be able to hire qualified, properly trained persons to fill these staff positions. From reviewing the situation, it is clear that programs for air pollution training are woefully underfunded. Many academic programs have been unfunded for two or three years, so that there are no longer enough qualified persons entering the air pollution control job market. In the past, with no specific training or funding requirements in the Clean Air Act,

the Office of Management and Budget has been able to terminate funding of academic programs and greatly reduce funding of EPA's Air Pollution Training Institute. While Congress has added complex air pollution control and management responsibilities to the state agencies, OMB has been able to undercut our ability to hire qualified persons into state service to meet these legislated requirements.

Congress recognized this need in the recent amendments to the Clean Air Act by establishing a separate section for training, 103 (b) (5). Further, Congress authorized separate funding of $7.5 million in Section 325 for this training. However, even under this Congressional mandate OMB and EPA have chosen not to include any money for training in the proposed FY-1979 budget.

We urge you to appropriate $5 million in FY-1979. I should point out that NIOSH provided $3.5 million to 7 area training centers for academic and industrial hygiene agency personnel in FY-1978. During the same period, EPA provided only $400,000 for 6 area training centers. And the area training centers for air pollution personnel must serve far more State and local personnel than do the NIOSH area training centers!

Besides providing properly trained persons to fill agency vacancies, the EPA training program also supports current agency employees in obtaining advanced degrees and contining education. State salaries are too low, in comparison to Federal and private industry, to make state service attractive to experienced technical people. The only way to ensure adequate senior staff expertise is to provide for upgrading and development from within the agency. Funding of the EPA training program is essential for this purpose.

In summary, I appreciate the opportunity to express our views in your difficult deliberations. We hope that you will act favorably on our request so that the true federal/state partnership can be used to implement the important goals of the Clean Air Act. Without adequate funding to states, the goals of the Act cannot possibly be carried out.

I have enclosed some previous Massachusetts and STAPPA correspondence on budget issues for your consideration. If I can be of any more help to you or the Committee, please do not hesitate to contact me at (617) 727-4782.

Very truly yours,

/s/ Anthony D. Cortese

Anthony D. Cortese, Sc.D.
Director
Division of Air and Hazardous Materials
Massachusetts Department of Environmental Quality Engineering
(Chairman, STAPPA Standards Committee)

E/adc/am
Enclosures

TABLE 1 Historical Trends in Federal Funding for Selected State Air Quality Programs

STATE	FY-76	FY-77	FY-78	% CHANGE from 76-78	NUMBER OF PEOPLE S[illegible] BY FEDERAL MONEY
Alabama	510,000	595,000	608,000	+16	26
Connecticut	1,538,000	1,283,000	1,283,000	-20	60
District of Columbia	210,962	215,000	239,901	+14	14
Florida	368,000	368,000	368,000	0	20
Georgia	623,000	623,000	667,000	+ 7	33
Illinois	1,852,000	1,852,000	1,860,000	+ 1	64
Indiana	898,000	1,011,000	1,111,000	+20	54
Maryland	615,000	605,000	519,000	-18	32
Massachusetts	1,100,000	1,155,000	1,261,000	+13	65
Michigan	938,000	954,000	954,000	+ 2	71
Nebraska	236,294	252,235	263,705	+11	12
New York	3,000,000	3,900,000	3,900,000	+23	179
Oklahoma	550,000	530,000	515,000	- 7	32
Oregon	662,854	736,485	620,455	- 7	21
Pennsylvania	2,967,000	2,150,000	2,153,000	-37	92
Rhode Island	165,000	240,000	260,000	+35	9
Virginia	1,000,000	975,000	975,000	- 3	55
Wisconsin	922,000	1,207,000	1,227,000	+25	45
Wyoming	100,000	125,000	125,000	+20	14
TOTAL.....	18,266,110	18,895,720	18,910,151	+3	898

TABLE 2 Additional Resources Needed to Implement Clean Air Act*

State	# people	Money	Impact of Not Receiving Additional Federal Funds
Alabama	10	$ 150,000	Cannot Fulfill Clean Air Act Amendments
Connecticut	60	$1,500,000	PSD Program Will Suffer
District of Columbia	5	$ 85,000	Curtailment of Certain Program Activities
Florida	45	$1,000,000	Existing Program Will Suffer
Georgia	80	$1,600,000	No New Programs
Illinois	30	$1,000,000	Programs Will Be Curtailed
Indiana	17	$1,000,000	Existing Program Will Suffer
Maryland	25	$ 500,000	No New Programs; Possible Reduction in Staff
Massachusetts	40	$1,000,000	Cannot Fulfill Clean Air Amendments Possible Reduction in Staff
Michigan	20	$ 500,000	Cannot Fulfill Clean Air Amendments
Nebrasks	24	$ 526,000	Programs Will be Curtailed
New York	39	$1,125,000	Failure to Enforce Existing Implementation Program PSD Program will Suffer
Oklahoma	10	$1,109,000	Cannot Fulfill Clean Air Amendments
Oregon	3	$ 482,000	Cannot Fulfill Clean Air Amendments
Pennsylvania	25	$1,000,000	Cannot Fulfill Clean Air Amendments
Rhode Island	4	$ 500,000	Cannot Prepare Required TCP and Maintenance Plans
Virginia	15	$ 500,000	Existing Programs Will Suffer
Wisconsin	19	$ 500,000	Achieving Air Quality Standards Questionable, Inadequate Monitoring Program
Wyoming	2	$ 80,000	PSD, Monitoring, Surveillance Programs will be Curtailed
TOTAL.....	473	$13,917,000	

Table 3 Funding Analysis (FY 1977)**

FY-1977 Air Pollution Expenditures for Selected States**

STATE	Population (000)	Non Fed/* Capita $	Federal/ Capita $	Total/ Capita $	Staff #	Total Non Federal $(000)	Total Federal $(000)	Total $ (000)	Ranking Non Fed/ Capita	Ranking Federal/ Capita	Ranking Total Capita
California	21,165	.62	.07	.69	362	13,082	1,488	14,570	1	18	2
Colorado	2,534	.44	.19	.63	60	1,136	484	1,620	4	8	5
Connecticut	3,035	.29	.40	.69	116	893	1,236	2,129	6	1	2
Florida*	8,337	.21	.05	.26	51/83	1,746	431	2,177	11	19	18
Georgia	4,929	.21	.16	.37	76	1,050	788	1,838	11	13	12
Illinois	11,145	.18	.17	.35	142	2,000	1,852	3,852	14	12	13
Maryland	4,098	.44	.15	.58	78	1,791	605	2,396	4	14	8
Massachusetts	5,828	.12	.19	.31	105	716	1,100	1,816	16	8	14
Michigan	9,157	.12	.10	.22	72	1,079	938	2,017	16	16	15
New Jersey	7,316	.26	.33	.59	174	1,891	2,400	4,291	8	3	7
New York	18,120	.14	.20	.34	287	2,525	3,541	6,066	18	6	14
North Carolina	5,451	.14	.19	.33	79	753	1,057	1,810	18	8	15
Oregon	2,388	.57	.30	.87	101	1,360	680	1,980	2	4	4
Pennsylvania	11,827	.25	.18	.43	211	3,000	2,130	5,130	10	11	10
Rhode Island	927	.18	.25	.43	19	167	230	397	14	5	10
Texas	12,247	.52	.15	.67	353	6,362	1,780	8,142	3	15	4
Virginia	5,087	.26	.20	.46	125	1,229	1,055	2,287	8	6	9
Washington*	3,466	.09	.12	.22	34/9	700	430	1,130	13	16	14
West Virginia	1,803	.29	.34	.61	59	518	612	1,130	6	2	6

**Local agencies not included

*State regional

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

THOMAS P. O'NEILL III
LIEUTENANT GOVERNOR

January 18, 1978

Mr. Douglas M. Costle, Administrator
Room W-1200 (C-A/100)
U.S. Environmental Protection Agency
Waterside Mall
401 M Street, S.W.
Washington, D.C. 20460

Dear Mr. Costle:

I would like to take this opportunity to express my concerns relative to the mobile source provisions of the 1977 Clean Air Act Amendments.

As you know, Massachusetts air pollution experiences are quite similar to those of many other states having large and concentrated motor vehicle populations. Namely, there exist numerous areas in the Commonwealth which experience frequent and serious violations of the mobile source-related national ambient air quality standards. There is clearly a need to minimize transportation system air pollutant emissions and resulting adverse air quality impacts while maintaining consistency with other community objectives.

The recent Clean Air Act, as amended August 1977, points out quite clearly the efforts necessary to develop a transportation system component of the state implementation plans for areas that are nonattainment with respect to photo-chemical oxidants and/or carbon monoxide. Unlike past efforts to develop, adopt, and implement transportation control measures, the Act now requires that control measures result from a process which reflects extensive agency interaction at all governmental levels, involvement of local elected officials, effective public participation, and integration with the ongoing transportation planning process. The amended Act also provides for new funding sanctions to ensure not only that the planning process include those elements, but also that the recommendations of these planning efforts are implemented.

Most important of the new provisions, however, is Section 325 which authorizes a total of $75,000,000 nationwide to offset the reasonable costs of developing a transportation control plan (TCP) for nonattainment areas. This money is essential if state agencies, the Metropolitan Planning Organizations (MPO's), or other local governmental entities are to assume the responsibility for TCP development. The requirements mentioned above simply cannot be accomplished in a timely manner with existing resources. In addition, the Commonwealth cannot in this time of fiscal austerity justify the appropriation of additional funds for this plan development effort.

In summary, I would like to strongly urge that every effort be made by your agency to have this Section 325 money approved by the Office of Management and Budget and made available to the states as soon as possible. Also, please note the attached letter to members of Congress, which also strongly supports the appropriation of these funds. Do not hesitate to contact me if I can be of any assistance in this effort.

Sincerely,

Thomas P. O'Neill III
Lieutenant Governor

CC: Governor Dukakis
Secretary Murphy
Commissioner Standley
Dr. Cortese
Mr. Ventresca

EFM/pf/am:eb

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

THOMAS P. O'NEILL III
LIEUTENANT GOVERNOR

TO: Congressional Delegation Staff

FROM: Lieutenant Governor Thomas P. O'Neill III

I am writing to express my growing concern and dismay at the lack of adequate funding of our state's air pollution control program. It is my understanding that a supplemental budget for EPA will be before you for deliberation, including a request for increased funding for air program grants to the states. I urge you to carefully consider the drastic effects that continued inadequate funding will have on the state's economy and on the health of our citizens. I also request that you vote favorably on increased funding for EPA air program grants.

For three years prior to FY-78, EPA's budget for state air programs remained constant at $52 million while federal regulations and laws were greatly expanding program responsibilities. I and officials of other states appealed to OMB and to members of Congress to increase total grant funds to at least $91 million in order to meet even minimum legislated requirements. Our efforts resulted in only an 11% increase for FY-78, from $52 to $58.5 million. This was not even enough to keep pace with four years of inflation and legislated salary increases, let alone increase air program resources. At that point, EPA estimated the Massachusetts air program with funding for 109 persons, was over 120% understaffed.

Then Congress, in passing the Clean Air Act Amendments of 1977, gave the states a mandate for even further expansion and upgrading of our program efforts. We are challenged with developing major new programs to control air pollution and protect public health. These programs will have direct impact on growth, economic development, transportation, and the state's economy, yet we find ourselves without expertise or funds to adequately meet the challenges of the Clean Air Act. Failure to do so will place many of the growth decisions and pollution enforcement actions in the hands of EPA. Clearly we would rather have that responsibility at the state level but we cannot even pretend to be able to meet our air pollution program requirements with a significant increase in funds.

I want to say that, for its part, the state is responding to the challenge. We have provided state funds for nine new air program positions for FY-78. The air program staff has stretched the available money as far as it will go through the use of student interns, CETA employees and technical advisory committees of university and industry experts. Also, Massachusetts utilities and industry have contributed over $200,000 to pay for a major air pollution study that the State could not pay for itself.

It is now time for Congress to assume its share of the responsibility for funding the air program. Because of the lack of success in increasing funds earlier this year, EPA is only requesting an FY-78 supplemental increase to state grants of $8 million for a total of $66.5 million. Almost all of this increase will go to respond to a section of the CAA which now requires each state to receive at least a minimum grant of 0.5% of the total allocation. Since many states were receiving less than the minimum, $6 million of the $8 million increase will go to these states. If Massachusetts and other larger states are to receive any benefit from the supplemental budget request, grant funding must be increased to at least $70 million (an increase of $11.5 rather than $8 million).

I also want to point out that the '77 CAA Amendments authorized $75 million to offset reasonable costs for developing transportation control plans by state agencies and Metropolitan Planning Organizations. The process for developing these plans must be submitted by February 1978, yet not one cent of the $75 million authorized has been appropriated. More importantly, it is not even included in EPA's supplemental budget request. Nor are any funds requested for staff training, for which $7.5 million was authorized, or for public participation, for which $4 million was authorized.

It is clear to me that our state air programs are in serious trouble, and it is primarily caused by Congress's high expectations without appropriations for the programs. I urge you to look carefully at EPA's supplemental budget request for FY-78. The state air program grants (Section 105 of the CAA) should be funded to a total of $70 million and reasonable appropriation for transportation control plans (Section 175), staff training (Section 103) and public participation (Section 127), must also be made. (All funding authorizations are included in Section 325 of the Act).

TPO:DS/eb

THE COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE DEPARTMENT
STATE HOUSE • BOSTON 02133

May 18, 1977

The Honorable William Proxmire
United States Senate
5241 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Proxmire:

I would appreciate your careful consideration of the relationship between the budget of the Environmental Protection Agency and the Clean Air Act Amendments.

During the past several years federal funding to states has remained constant. However, the number, complexity and sophistication of federally required programs have dramatically increased. A trend has developed to delegate more of these programs to the states where they can be administered more efficiently, and to give more attention to local economic and energy concerns. The result is that we simply can no longer be expected to accomplish the program goals with current funding.

For example, with level funding from EPA of the Massachusetts air pollution control program for FY '76 and '77, we are currently understaffed by 25 percent. Compared to 10 other industrialized states across the country, Massachusetts ranks 17th on a per capita expenditure for air pollution control. Continued level funding, with even a minimal allowance for cost of living increases and inflation, will force us to lay off additional air program staff. The Massachusetts situation is repeated in other states, especially the six New England states and New York, which together form the New England Staff for Coordinated Air Use Management (NESCAUM). NESCAUM is in support of the positions expressed in this letter.

The Administration's current budget for Fiscal 1978 provides only $5.7 million for state air pollution grants. EPA's budget request to [illegible] for [illegible] million, an increase of 80 percent. Of that, 75 percent is [illegible] to cover the four years of mandated salary increases; 7 percent for increased costs of supplies, and equipment; and 10 percent [illegible] new [illegible], leaving 75 percent [illegible] already computed, which are required to [illegible] health related air quality [illegible]. It is simply not possible to implement federal programs with the funds currently available.

We feel a choice must be made between accomplishing the Clean Air Act's requirements by increased funding of the states' programs or terminating these activities. This choice should be made soon, if we are to resolve the potential conflicts between clean air, energy production, and economic development. We favor the choice of meeting our clean air goals and protecting air quality. This means the choice of increased funding. We believe President Carter has made plain his preference for maintenance of our air pollution control efforts; therefore, we request your support in restoring the EPA budget for state grants to the $91 million requested by EPA.

A second major concern is adequate funding of air pollution training programs. Even if our air pollution agency receives enough funds to allow for minimum acceptable staffing, we must be able to hire qualified, properly trained persons to fill these staff positions. From reviewing the situation, it is clear that programs for air pollution training are woefully underfunded. Many academic programs have been unfunded for two or three years, so that there are no longer enough qualified persons entering the air pollution control job market. With no specific training or funding requirements in the Clean Air Act, the Office of Management and Budget has been able to terminate funding of academic programs and greatly reduce funding of EPA's Air Pollution Training Institute. While Congress has added complex air pollution control and management responsibilities to the state agencies, OMB, in the past, has been able to undercut our ability to hire qualified persons into state service to meet these legislated requirements. If we are to meet the goals of the Clean Air Act, it must be amended to require the training of persons to meet legislated goals, while providing funds for this training. Our recommendation is that a $10 million floor for FY '78 and FY '79 be added to Section 105 of the Act.

Any further information to assist you in your review of the Clean Air Act and EPA's funding can be provided through my office, or the Department of Environmental Quality Engineering for the Commonwealth.

I would like to thank you for taking time out of your busy schedule to consider these issues.

Sincerely,

THOMAS P. O'NEILL, III
Lieutenant Governor

STATE AND TERRITORIAL
AIR POLLUTION PROGRAM ADMINISTRATORS

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February 7, 1977

Mr. Bert Lance
Director
Office of Management and
Budget
Old Executive Office Building
17th & Pennsylvania Avenue
Room #252
Washington, D. C. 20503

Dear Mr. Lance:

The fiscal 1978 budget approved by your predecessor for the U. S. Environmental Protection Agency (EPA) is completely inadequate. The funds available to state air pollution programs under the James T. Lynn budget makes improbable the successful state implementation of federal Clean Air Act programs.

In the opinion of STAPPA members you have an opportunity to reverse a trend of real dollar decline in air pollution program funding. The already-prepared EPA budget requested additional funds for state programs and requires no additional preparation time from your staff. STAPPA urges you to accept that budget.

President Carter has made clear his commitment: "Controlling air pollution is not just a luxury to be pursued when it is convenient. It is a critical component of a successful national health program, and it is vital to preserving agricultural and natural resources...I will renew this country's commitment to clean air."

As a former governor, President Carter recognizes that it is the states which have primary responsibility for implementing air pollution control programs. A renewed commitment to clean air must

include renewed and adequate support of state efforts to clean the air. During the past four years federal fudning has remained essentially constant while the number and sophistication of federally required programs have increased. The result is too little attention paid to too many problems, oversimplification of difficult issues as a means of reducing the staff resources needed to address them, declining professionalism with an attendant loss in morale, inadequate ability to involve the public and special interest groups in the time-consuming work of strategic planning for sensible environmental protection, and continued unacceptable levels of dirty air. State air pollution control programs are rapidly approaching a severe crisis in their ability to adequately discharge their legal responsibilities.

In our opinion, the only choice available to you is to either substantially increase, by 50 to 60%, the federal funds available to the states; or to identify those programs you wish to see ended or reduced. STAPPA members are no longer prepared to publicly pretend that federal programs are in fact being implemented with the funds currently available. Either the funds must be increased or several programs must end. We cannot continue being scapegoats for inadequately planned and understaffed programs which have rightly annoyed environmentalists, the business community and other government agencies trying to address different mandates.

STAPPA favors the choice of increased funding. We believe President Carter has made plain his preference. Any of the STAPPA members will be happy to assist you in your review of the EPA budget as it concerns air pollution control programs.

Thank you for considering our opinion.

Sincerely yours,

Henry C. Beal (Sgn)

Henry B. Beal
Chairman (1977)
STAPPA

HEB/bgm

cc: STAPPA Executive Committee
Rep. Giaimo
Sen. Muskie
Rep. Rogers

Dr. CORTESE. I would like to enter a detailed statement in the record.

My name is Anthony Cortese. I appreciate the opportunity to testify before you. I am here representing the National Governors' Association and the State and Territorial Program Administrators which is an organization of state air pollution control officials.

I am here to testify about EPA's proposed budget for the implementation of the Clean Air Act.

The Clean Air Act, as you know, places the primary responsibility for implementation of clean air standards at the state and local level.

In addition to the traditional regulatory role, the new Act requires us now to have much greater participation in agencies, industry, legislative bodies in the development of plans for clean air.

In addition, we are now required to develop clean air plans which not only achieve clean air goals, but must address the impact on energy, the economy, and the social system.

We must also deal with new air pollution control problems: toxic chemicals such as lead, arsenic, vinyl chloride, asbestos.

Section 105 of the Clean Air Act authorizes funding for state and local control programs.

In the past four years there has been only an 11.5 percent increase in the amount of funding going to state and local programs. In that same time period, there has been a 38 percent increase in inflation cutting into the cost of the programs.

What has happened is we haven't implemented the clean air plans.

Congress then went back and amended the Clean Air Act to set up a new set of timetables.

Our equipment is deteriorating. It is to the point we can't fulfill the new requirements for monitoring.

To give you an example, in Massachusetts we have been trying for four years to do a study of what was causing the high air pollution levels of particulates. We could not get the funding. We had to get the funding, $200,000, from industry.

I am not pleased with that kind of an effort because I think it places the regulatory agency too close to the private sector we must regulate.

EPA has proposed to increase the funding from $58.5 million to $75 million. That looks like a fair increase. But that $16.5 million will not go to most of the large air pollution control programs because, first of all, $5 million is going for the development of inspection and maintenance programs for automobiles, $6 million is going to transportation planning efforts for local officials because EPA has chosen not to fund Section 175 of the Act which authorizes $75 million for that purpose. Two million is going to rural states under a new provision of the Clean Air Act.

That leaves only a $3.5 million increase to carry out all of the new provisions of the Act.

I guess the reason we are very concerned is that there are 7000 state and local air pollution control officials around the country. There are only 500 people in EPA for day-to-day implementation of the Act.

If the states don't do the job, the federal government must do it.

We feel a modest increase at the state and local level would be a more cost-effective way of carrying out the programs of the Clean Air Act than to try to fund EPA to do it.

We feel that the National Governors' Association had established an urge that it be $91 million and not the 75 proposed by EPA.

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I think it is important to ask what would happen if we don't get the appropriate funding and can't carry out the Act.

First of all, there is a new provision that says we have to keep clean air clean. This is the prevention of significant deterioration. It is a program designed for the states to control the new industrial growth.

If the states don't get the funding, then the federal government will be involved in new source review which means the federal government will be involved in land use control at the state level. That is something we, as state people, do not want to accept.

Secondly, if we don't achieve the Clean Air Act standards, the Act mandates by July of 1979 there will be no new industrial growth in the areas not attaining the standards.

In most of the country that is entire states. In Massachusetts, the entire state has not attained it for ozone.

There is another provision in the Act, Section 175, which provides funding for local governments for transportation control plan development.

The Clean Air Act recognizes we can't have just controls on automobiles and industry to achieve standards, that we have to make standards in transportation systems.

We need to increase transit and car pooling.

However, as I think you know, the past efforts of mandating changes like this at the federal level have been a colossal failure. That is because they were not part of the existing transportation planning process.

The Act now mandates air quality transportation control plans be developed as part of the transportation and planning process. However, even though Congress has authorized $75 million for this purpose, EPA has chosen to ask for nothing in the budget.

I can tell you, without the funds there is no way the existing transportation planning process can do the job because we have been working with them for the last four years. They tied up all their resources in improving travel and improving the economy.

I think there seems to be a slight change in the Administration's position because of President Carter's recent urban policy speech. It seems to indicate they are willing to at least support about $25 million in that area.

The National Governors' Association and STAPPA and the Commonwealth of Massachusetts feel strongly the whole $75 million should be appropriated.

The last thing I would like to talk about is manpower training.

In the past, EPA has had a program for training people at the state and local level. This is something that is very dear to me. I am a product of one of these training programs. I can tell you that there will be other witnesses today—and I don't need to take your time up with the details—but I can tell you with the poor state salaries we have in general in state government, one of the only ways we can compete with industry and the federal government for good employees is to have a training program.

EPA does two things for us. They have short courses we can send people to get trained. In my own state, we send 14 people for graduate programs at night. It is the only way, we feel, we can keep some really good young people that are coming out of school and compete with the federal government.

The last point I would like to make about training is that EPA last year had area training centers, six of them around the country to do this kind of training. They put $400,000 total into these six area training centers.

NIOSH has seven, and they put $3.5 million into these area training centers. NIOSH has far fewer state and local officials to train than we do in the air pollution field.

STAPPA and NGA strongly urges that $5 million be authorized and allocated for the training function.

Just to give you a background, EPA had an appropriation of $2 million, which was put in by the Congress, by the way, and not requested by EPA.

In summary, I have spent about nine years in air pollution control since before the 1970 Act was enacted.

I think, as you can see, we haven't achieved the clean air goals. I think what has happened over time is that because we haven't achieved the goals, Congress has gone back and changed the law, changed the deadlines, made it more complex, when the problem was not the deadlines and the complexity, but the fact we do not have enough resources in the first place.

It seems like our usual approach to a problem which we cannot solve is to try to create new legislation.

We feel we have a good piece of legislation here if we only had the appropriate funds to carry it out and get on with the business of clean air.

Thank you.

Mr. ALEXANDER. Thank you very much, Dr. Cortese, for a succinct and comprehensive statement. Thank you equally as much for the sincerity and dedication you have given to this program.

I am very clear on what you need. I am very sympathetic to your request.

Mr. Traxler?

Mr. TRAXLER. Well stated. Thank you.

Mr. CORTESE. Thank you.

Mr. COUGHLIN. I think your statement was helpful to this Committee. It is helpful to have testimony from someone in the field.

I could not agree with you more that we tend to change programs so fast. I think the solution is not more laws in many cases.

Dr. CORTESE. If I may add one more thing, I have worked most of the time in the federal government. I will be returning to the federal government. I have no particular axe to grind in trying to get money for my own particular program.

What I am trying to say is I think the job has to be done at the state and local level. There is no other place it can get done because we have to be concerned about state and local needs. That is why we think the funding is so important.

Mr. ALEXANDER. I have a note here from the Chairman of the Subcommittee who asked me to convey his regrets that he is involved in a markup on a bill in the Committee on Intelligence.

He welcomes you to the Subcommittee.

I will brief him on the remarks you had to make.

Dr. CORTESE. Thank you very much.

WITNESSES

DR. FREDERICK B. HENDERSON, PRESIDENT GEOSAT COMMITTEE
DR. JOHN RUCKMICK, MANAGER OF EXPLORATION, TEXASGULF

Mr. ALEXANDER. Our next witness is Dr. Frederick B. Henderson, President of the Geosat Committee.

Dr. HENDERSON. Thank you. I would like to introduce Dr. John Ruckmick, Manager of Exploration for Texasgulf.

I would like to submit my written statement, but I would like to read portions.

Mr. ALEXANDER. Without objection, it will be admitted as submitted.

Dr. HENDERSON. I am quite pleased and appreciate the opportunity to testify before this Subcommittee on behalf of the Board of Directors and the members of the Geosat Committee on the issues related to the NASA Fiscal Year 1979 budget requests. My testimony today will provide your subcommittee with our comments on the 1979 NASA budget and how the budget reflects NASA's response to the 1977 Geosat Committee's recommendations to NASA's management.

Similar testimony and a supplementary budget request were presented on behalf of the Geosat Committee on 9 February 1978 before hearings of the House Subcommittee on Space Science and Applications and on 1 March 1978 before hearings of the Senate Subcommittee on Science, Technology and Space in their considerations for authorization of the 1979 NASA budget.

In response to this testimony and the budget increase request on behalf of the Geosat Committee, the House Committee on Science and Technology reported to the House of Representatives on 15 March 1978 authorizations for the 1979 NASA budget which includes a budget increase of $4,000,000 to initiate development of Stereosat, as requested by the Geosat Committee. "In authorizing Stereosat, the House Committee insists that NASA establish such mechanisms as may be necessary whereby the industrial community will share in the costs of the program."

In response to this section, members of the Board of Directors of the Geosat Committee met on 5 April 1978 with Dr. Anthony Calio, Director of NASA's Office of Space and Terrestrial Applications to initiate the development of such mechanisms for industrial participation. The Geosat Committee agreed to submit for consideration a formula for equitable industrial sharing of Stereosat program costs along with all other potential groups of end users of Stereosat data.

Because of omissions in the 1979 NASA budget as presented to Congress of some of the Geosat recommendations, and because of the recent events described above, I will, on behalf of the Board of Directors of the Geosat Committee, ask your subcommittee to appropriate the $4,000,000 increase in the 1979 NASA budget as recommended for authorization by the House Committee on Science and Technology.

And, in general, I shall ask your subcommittee to consider alternative avenues potentially open to the geological industries to obtain the needed data from Stereosat and other recommended supplemental systems not yet provided for in the NASA program.

The Geosat Committee believes its recommendations should be implemented as soon as possible. The addition of the recommended supplemented senors will greatly improve the quality of the remotely senses data from the Landsat and other satellite systems for geological remote sensing from space. We believe the early implementation of the Geosat recommendaions will materially aid the United States and the rest of the world in exploration for and development of increasingly scarce nonrenewable energy and mineral resources.

The Geosat Committee, Inc., was formed in 1976 and is sponsored by almost 100 oil, gas, mineral and engineering geological companies who produce more than half of this nation's nonrenewable energy and mineral resources.

This Committee is a unique industrial initiative to present to NASA the considered geological recommendations of the nation's largest single industrial group of users of satellite imaging data, a role which, I believe, will continue to expand significantly. During 1977 the Geosat Committee worked diligently with various branches of NASA and the United States Geological Survey, in order to determine what supplemental remote sensing capabilities, when added to NASA's present and planned Landsat and other satellite remote sensing systems, would optimize the combined systems for geological remote sensing from space.

In 1977, the Geosat Committee recommended to NASA and other pertinent government organizations the primary development of two such supplemental systems: (1) Stereosat, a proposed 1979 NASA new start program which would be a 1981 shuttle-launched satellite that would provide near term, worldwide, digital, landsat compatible, high resolution—20 meter pixels—for times better than the present Landsat 1 and 2 data—stereoscopic coverage; and (2) the addition of the 2.2 micron spectral band on the Thematic Mapper to be flown on Landsat D.

Stereosat, at an incremental cost of about 5 percent—$36,000,000—of the total Landsat program through Landsat D—$650,000,000 or more—would increase the three-dimensional interpretive quality of all past, present, and future Landsat imagery severalfold to all Landsat users, including the geological community.

To be able to more than double the value of all Landsat interpretation to most users by adding an incremental 5 percent for Stereosat is a compelling argument in itself.

This country spends an amount equal to the total cost of two Stereosats each day in incremental cost of imported foreign oil, an expenditure for which we accrue absolutely no benefit. Reflection on that relationship gives some idea of the potential benefit-cost ratio for Stereosat.

The Geosat Committee understands that the Stereosat 1979 new start program was accepted and recommended to NASA's top management by its Office of Applications in September of 1977.

I want to emphasize the Stereosat system we helped JPL design was not designed specifically for topographic mapping, but for stereo photogeological interpretation.

The addition of the 2.2 micron spectral band to the other six spectral bands of the Thematic Mapper on Landsat D will significantly improve the quality of the Thematic Mapper data for discrimination

of rock, soil, and mineralization alteration types. The addition of Stereosat and the 2.2 micron band to the Landsat program will substantially increase its capability to provide optimal remotely sensed data for geological interpretation and map making, as well as many other discipline uses.

The Geosat Committee also strongly supported two additional sensing systems initiated by NASA in 1977; the Large Format Camera and the Shuttle Imaging Radar, SIR–B.

In addition to the above recommendations, the Geosat Committee, in cooperation with NASA/JPL, inaugurated a joint Geosat-NASA/JPL Test Case Program in 1977.

This program is a cooperative effort to jointly study and compare applications of Landsat and simulations of the above recommended sensing systems to known porphyry copper, uranium, and oil/gas deposits provided by member companies of the Geosat Committee. The results of this study will be published in the public domain.

A review of the NASA portion of the 1979 President's Budget, released to the public on 23 January 1978, is most disappointing to the Geosat Committee. There is no provision for Stereosat or for the SIR-Bradar, both initiated as NASA 1979 budget new start programs in 1977.

Furthermore, communications with NASA officials indicate that, although the Large Format Camera will be built it will fly later than hoped for—1981 to 1982—and is currently firmly funded for only one shuttle flight. Such a limited LFC program is totally unsatisfactory with respect to the need to obtain worldwide stereoscopic film imagery, as soon as possible.

It is understood, however, that the new Office of Space and Terrestrial Applications has recently agreed that the 2.2 micron spectral band should be included in the 1979 NASA Budget as the seventh band on the Thematic Mapper to be flown on Landsat–D.

The Geosat Committee commends this NASA decision in light of the 1978 and 1979 budget constraints.

However, in spite of the addition of the 2.2 micron band to the Thematic Mapper, the Geosat Committee still finds the overall results of its 1977 recommendations disappointing.

We find it especially disappointing that the Stereosat System was denied in light of NASA's recognition that the Landsat system could be improved for geological interpretations by adding supplemental systems improved for geological interpretations by adding supplemental systems capabilities, such as the 2.2 micron band.

Accordingly, the Geosat Committee now seeks to find out how Stereosat and its other recommendations can be implemented in the near future.

The Geosat Committee recognizes the responsibility for supporting developing technologies which might assist the U. S. in its acquisition of basic nonrenewable resources in the future does not lie wholely within NASA, but it also recognizes that NASA does have a significant role in the applications of satellite remote sensing to this national problem.

Present Alternatives. The Geosat Committee perceives its present effort to obtain Stereosat data, as well as its other recommendations as something of a "Catch–22" situation. The yet to be published Presidential Review Memorandum 23 study on government policy on

earth remote sensing from space, which is headed by the Secretary of Defense, Dr. Harold Brown, is understood to preclude the participation of private industry in satellite earth remote sensing, except under certain governmental restrictions and regulations similar to those for Comsat, Marisat, etc. Thus, for private industry to fund its own Stereosat mission, it would require the near-term cooperation, communication, and presumed governmental control, which is not presently provided.

On the other hand, NASA, OMB, and other Administration officials have repeatedly asked the Geosat Committee to pay for the Stereosat mission if it wants it.

To pay unequally to provide Stereosat data when many other nongeological users would utilize the Stereosat data is unacceptable.

To our knowledge, no other industry has yet been made to pay exclusively for past or current space remote sensing missions.

If an operational system whereby all users pay on an equitable use basis were to be developed, we believe the geological industries would pay their fair share through a product pricing system.

In light of our pressing national resource needs, the timing is now to develop a Stereosat program to provide worldwide Landsat compatible, high resolution, digital, stereoscopic imaging data in the early 1980s. Accordingly, the Geosat Committee will pursue the following alternatives:

1. We hereby formally request Congress through this House Subcommittee on HUD-Independent Agencies Appropriations to appropriate the $4,000,000 increase in the 1970 NASA budget as recommended for authorization by the House Committee on Science and Technology.

2. We are communicating with departments of the Federal Government to determine within the Federal Government who has the responsibility toward encouraging developing national technologies for nonrenewable resources acquisition and to obtain their advocacy and/or financial support.

I would like to submit for the record a letter I received from Dr. J. R. Basley indicating our efforts and communications on trying to coordinate their interests and our interests in such systems.

Mr. ALEXANDER. Without objection this letter may be submitted as part of the record.

[See p. 673.]

Dr. HENDERSON. Thank you.

3. If Stereosat cannot be added to the 1979 NASA budget, the Geosat Committee will attempt to obtain Congressional, Federal Department, NASA, Office of Management and Budget and Office of Science and Technology Policy and other support for a 1980 NASA budget new start Stereosat program.

4. We will seek to obtain legislative initiatives to encourage private industrial financial participation by such methods as:

(*a*) A revision of the present governmental policies which prevent industry from investing front-end funds in Stereosat without commensurate competitive advantages, such as limited proprietary use of the resulting data.

(*b*) A revision of tax programs and tax benefits such as that provided by the "Gallagher Amendment" in Canada.

5. We will seek to work with the appropriate agencies, such as the

National Security Council, to determine if some of the data we seek may exist within the defense assets and could somehow be declassified and be made available to the public.

6. If efforts such as the above fail in the near term to produce a Stereosat capability, the geological industries may be able to turn to the French SPOT, the Japanese EARTH, or other non-U.S. space remote sensing systems.

On 9 February 1978, we learned that effective that date, the French government officially approved and funded the SPOT earth observation satellite as the first fully approved, non-U.S. non-U.S.S.R. earth resources information satellite system.

During mid-March 1978 I conducted meetings in France with staff and management of the Centre National d'Etudes Spatiales, C.N.E.S., regarding the approved and funded SPOT program. I am pleased to state that they have agreed to cooperate with the Geosat Committee regarding potential geological requirements and applications for SPOT earth remote sensing data.

Such non-U.S. controlled programs undoubtedly will provide in the early 1980's, internationally accessible, a worldwide, high resolution, stereoscopic, digital, multi-spectral data which may satisfy the Geosat Committee's requirements for Landsat compatible Stereosat type data. Whereas the Geosat Committee encourages the international development of non-U.S. Landsat compatible systems to add to the growing worldwide Landsat digital data bank, we believe it is in the United States' national interests with respect to its space technology development to develop Stereosat type data in the near term within the NASA space program.

The National Interest. Whereas the implementation of the Geosat recommendations are specifically within the interests of the geological and engineering industries, they would be used by all users of Landsat imagery from all disciplines. More important, the Geosat Committee believes these recommendations to be within the best interests of this nation, as well as, ultimately, the world.

There has been a steady 25-year decline in United States domestic discovery rates for oil, gas, and many strategic minerals, which, in turn, serves to further reduce our domestic reserves of nonrenewable resources.

The Geosat Committee believes the addition of its four recommendations to the NASA plans through the 1980s can provide data to the world geological community which will help alleviate the U.S. and world problems of declining discovery rates for basic nonrenewable energy and mineral resources. The solution to these problems would directly benefit all of mankind.

In conclusion, I wish to reiterate our request of this subcommittee to appropriate the $4,000,000 increase in the 1979 NASA budget as recommended by authorization by the Committee on Science and Technology of the U.S. House of Representatives, or consider the alternatives outlined above. We believe that Congressional support is paramount to the successful, early implementation of the Stereosat program and the other recommendations of the Geosat Committee.

Finally, I wish to respectfully express my appreciation for the opportunity to appear before this Subcommittee and to offer on behalf of the Geosat Committee our comments on and concerns about the 1979 NASA budget and its effects on the goals of the Geosat Committee and the interests of our nation.

[Complete statement follows:]

STATEMENT OF FREDERICK B. HENDERSON, III, Ph. D.,

PRESIDENT OF THE GEOSAT COMMITTEE, INC.

AT THE HEARINGS HELD BY

THE SUBCOMMITTEE ON H.U.D. - INDEPENDENT AGENCIES

OF THE COMMITTEE ON APPROPRIATIONS OF

THE UNITED STATES HOUSE OF REPRESENTATIVES

ON THE NASA FISCAL YEAR 1979 BUDGET APPROPRIATIONS

APRIL 13, 1978

Mr. Chairman, I am quite pleased and appreciate the opportunity to testify before this Subcommittee on behalf of the Board of Directors and the members of the Geosat Committee on the issues related to the NASA fiscal year 1979 budget requests. My testimony today will provide your Subcommittee with our comments on the 1979 NASA budget and how the budget reflects NASA's response to the 1977 Geosat Committee's recommendations to NASA's management. Similar testimony and a supplementary budget request were presented on behalf of the Geosat Committee on 9 February 1978 before hearings of the House Subcommittee on Space Science and Applications and on 1 March 1978 before hearings of the Senate Subcommittee on Science, Technology, and Space in their considerations for authorization of the 1979 NASA budget.

In response to this testimony and the budget increase request on behalf of the Geosat Committee, The House Committee on Science and Technology reported to the House of Representatives on 15 March 1978 authorizations for the 1979 NASA budget which includes a budget increase of $4,000,000 to initiate development of Stereosat, as requested by The Geosat Committee. "In authorizing Stereosat, The House Committee insists that NASA establish such mechanisms as may be necessary whereby the industrial community will share in the costs of the program." (Report 95-973, U.S. House of Representatives, 15 March 1978, p. 8)

In response to this action, members of the Board of Directors of The Geosat Committee met on 5 April 1978 with Dr. Anthony Calio, Director of NASA's Office of Space and Terrestrial Applications to initiate the

development of such mechanisms for industrial participation. The Geosat Committee agreed to submit for consideration a formula for equitable industrial sharing of Stereosat program costs along with all other potential groups of end users of Stereosat data.

Because of omissions in the 1979 NASA budget as presented to Congress of some of the Geosat recommendations, and because of the recent events described above, I will, on behalf of the Board of Directors of The Geosat Committee, ask your Subcommittee to appropriate the $4,000,000 increase in the 1979 NASA budget as recommended for authorization by The House Committee on Science and Technology. And, in in general, I shall ask your Subcommittee to consider alternative avenues potentially open to the geological industries to obtain the needed data from Stereosat and other recommended supplemental systems not yet provided for in the NASA program.

The Geosat Committee believes its recommendations should be implemented as soon as possible. The addition of the recommended supplemented sensors will greatly improve the quality of the remotely sensed data from the Landsat and other satellite systems for geological remote sensing from space. We believe the early implementation of the Geosat recommendations will materially aid the United States and the rest of the world in exploration for and development of increasingly scarce non-renewable energy and mineral resources.

The Geosat Committee

The Geosat Committee, Inc., was formed in 1976 and is sponsored by almost 100 oil, gas, mineral and engineering geological companies who produce more than half of this nation's non-renewable energy and mineral resources. This Committee is a unique industrial initiative to present to NASA the considered geological recommendations of the nation's largest single industrial group of users of satellite imaging data, a role which, I believe, will continue to expand significantly. During 1977, The Geosat Committee worked diligently with various branches of NASA and the United States Geological Survey in order to determine what supplemental remote sensing capabilities, when added to NASA's present and planned Landsat and other satellite remote sensing systems, would optimize the combined systems for geological remote sensing from space.

The Geosat Committee Recommendations

In 1977, The Geosat Committee recommended to NASA and other pertinent government organizations the primary development of two such supplemental systems: 1) Stereosat, a proposed 1979 NASA new start program which would be a 1981 shuttle launched satellite that would provide near term, worldwide, digital, Landsat compatible, high resolution (20 meter pixels - four times better than the present Landsat 1 and 2 data), stereoscopic coverage; and 2) the addition of the 2.2 micron spectral band on the Thematic Mapper to be flown on Landsat D.

Stereosat, at an incremental cost of about 5% ($36,000,000) of the total Landsat program through Landsat D ($650,000,000 or more), would increase the three dimensional interpretive quality of all past, present, and future Landsat imagery several-fold to all Landsat users including the geological community. To be able to more than double the value of all Landsat interpretation to most users by adding an incremental 5% for Stereosat is a compelling argument in itself. This country spends an amount equal to the total cost of two Stereosats each day in incremental cost of imported foreign oil, an expenditure for which we accrue absolutely no benefit. Reflection on that relationship gives some idea of the potential benefit/cost ratio for Stereosat. The Geosat Committee understands that the Stereosat 1979 new start program was accepted and recommended to NASA's top management by its Office of Applications in September of 1977.

The addition of the 2.2 micron spectral band to the other six spectral bands of the Thematic Mapper on Landsat D will significantly improve the quality of the Thematic Mapper data for discrimination of rock, soil, and mineralization alteration types. The addition of Stereosat and the 2.2 micron band to the Landsat program will substantially increase its capability to provide optimal remotely sensed data for geological interpretation and map making as well as many other discipline uses.

The Geosat Committee also strongly supported two additional sensing systems initiated by NASA in 1977: 3) the Large Format Camera which would eventually provide high resolution, stereoscopic, film imagery of cartographic quality of the world; and 4) the Shuttle Imaging Radar (SIR-B) a 1979 budget new start to be flown in 1981, which would provide worldwide topographic and surface data, especially in cloud covered areas, of value to geological and other disciplines.

These Geosat Committee recommendations were offered in the belief that they are in the best interests of our geological industries, other Landsat users, and to this nation and the world in that they will assist us in the exploration for and the development of our increasingly scarce non-renewable energy and mineral resources, and in reaching solutions to many pressing engineering and environmental problems.

In addition to the above recommendations, the Geosat Committee, in cooperation with NASA/JPL, inaugurated a joint Geosat-NASA/JPL Test Case Program in 1977. This program is a cooperative effort to jointly study and compare applications of Landsat and simulations of the above recommended sensing systems to known porphyry copper, uranium, and oil/gas deposits provided by member companies of the Geosat Committee. The results of this study will be published in the public domain. NASA has increased the geological portion of its 1979 SR&T and flight instrumentation programs in support of the Geosat-NASA/JPL Test Case Program. The Geosat Committee wishes to express its ppreciation to NASA/JPL for its cooperation in jointly initiating the important geological remote sensing study.

The 1979 President's Budget

A review of the NASA portion of the 1979 President's Budget, released to the public on 23 January 1978, is most disappointing to The Geosat Committee. There is no provision for Stereosat or for the SIR-B radar (both initiated as NASA 1979 budget new start programs in 1977). Furthermore, communications with NASA officials indicate that, although the Large Format Camera will be built, it will fly later than hoped for (1981 to 1982) and is currently firmly funded for only one shuttle flight. Such a limited LFC program is totally unsatisfactory with respect to the need to obtain worldwide stereoscopic film imagery as soon as possible.

It is understood, however, that the new Office of Space and Terrestrial Applications has recently agreed that the 2.2 micron spectral band should be included in the 1979 NASA Budget as the seventh band on the Thematic Mapper to be flown on Landsat-D. The Geosat Committee commends this NASA decision in light of the 1978 and 1979 budget constraints. However, in spite of the addition of the 2.2 micron band to the Thematic Mapper, The Geosat Committee still finds the overall results of its 1977 recommendations disappointing. We find it especially disappointing that the Stereosat system was denied in light of NASA's recognition that the Landsat system could be improved for geological interpretations by adding supplemental systems capabilities such as the 2.2 micron band. Clearly the 2.2 micron band on Landsat-D and the development of Landsat mergeable Stereosat data should be combined to increase the value of all Landsat imagery to geological as well as all other Landsat users.

Accordingly, The Geosat Committee now seeks to find out how Stereosat and its other recommendations can be implemented in the near future. Specifically, The Geosat Committee has asked NASA why the Stereosat program was awarded a NASA priority so low as to not survive the tight 1979 budget cycle in spite of the growing problem of this nation's diminishing non-renewable resources and the potential geological value of Stereosat data. The Geosat Committee recognizes the responsibility for supporting developing technologies which might assist the U. S. in its acquisition of basic non-renewable resources in the future does not lie wholely within NASA, but it also recognizes that NASA does have a significant role in the applications of satellite remote sensing to this national problem. In 1978, The Geosat Committee will seek to determine where within the overall federal government the responsibility lies to support developing technologies, such as space remote sensing, which can aid in the future acquisition of basic non-renewable energy and mineral resources.

Present Alternatives

The Geosat Committee perceives its present effort to obtain Stereosat data as well as its other recommendations as something of a "Catch-22" situation. The yet to be published Presidential Review Memorandum 23 study on government policy on earth remote sensing from space, which is headed by the Secretary of Defense, Dr. Harold Brown, is understood to preclude the participation of private industry in satellite earth remote sensing, except under certain governmental restrictions and regulations similar to those for Comsat, Marisat, etc. Thus, for private industry to fund its own Stereosat mission, it would require the near term cooperation, communication, and presumed governmental control, which is not presently provided for. On the other hand, NASA, OMB, and other administration officials have repeatedly asked The Geosat Committee to pay for the Stereosat mission if it wants it.

To pay unequally to provide Stereosat data when many other non-geological users would utilize the Stereosat data is presently unacceptable to the large tax paying geological industries. To our knowledge, no other industry has yet been made to pay exclusively for past or current space remote sensing missions. If an operational system whereby all users pay on an equitable use basis were to be developed, we believe the geological industries would pay their fair share through a product pricing system. What is needed to solve this cost sharing impasse problem is the development of a truly representative government-industry-other user interface body which equitably determines policy, programs, and cost sharing.

Those who should constitute such an interfacing body include at least the federal government, both as end users and as responsible for the national interest, state and academic end users, foreign end users, and industrial end users (see Anysat Interface Body Figure 1).

Since the above government-private industry interface body will take time to develop, and in light of our pressing national resource needs, the timing is now to develop a Stereosat program to provide worldwide, Landsat compatible, high resolution, digital, stereoscopic imaging data in the early 1980's. Accordingly, The Geosat Committee will pursue the following alternatives presently open to it in order to obtain the near term development of Stereosat type data and eventually other Geosat supported programs such as the Shuttle Imaging Radar:

1. We hereby formally request Congress through this House Subcommittee on H. U. D. - Independent Agencies Appropriations to appropriate the $4,000,000 increase in the 1979 NASA budget as recommended for authorization by the House Committee on Science and Technology.

2. We are communicating with departments of the federal government such as the Department of Energy, the Department of the Interior, and others, to determine within the federal government who has the responsibility toward encouraging developing national technologies for non-renewable resource acquisition and to obtain their advocacy and/or financial support to add Stereosat to the 1979 NASA budget.

3. If Stereosat cannot be added to the 1979 NASA budget, The Geosat Committee will attempt to obtain Congressional, federal department, NASA, Office of Management and Budget and Office of Science and Technology Policy and other support for a 1980 NASA budget new start Stereosat program.

4. We will seek to obtain legislative initiatives to encourage private industrial financial participation by such methods as:

    a. A revision of the present governmental policies which prevent private industry from investing front-end funds in Stereosat without commensurate competitive advantages such as limited proprietary use of the resulting data.

FAIR SHARE COSTS FOR ANYSAT

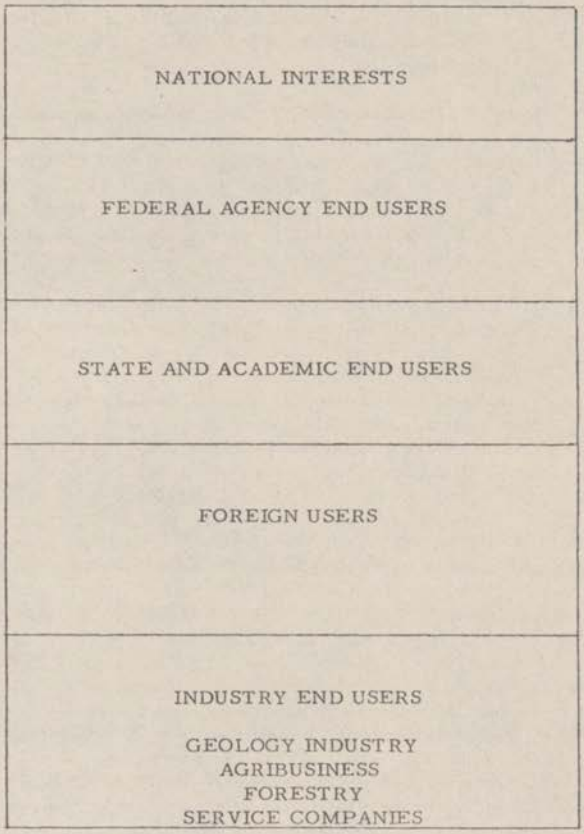


Figure 1. Anysat Interface Body

b. A revision of tax programs and tax benefits such as that provided by the "Gallagher Amendment" in Canada whereby the development of something such as Stereosat is recognized to be within the national interest and private industrial funds to pay for capital costs are awarded substantial tax credits to encourage its private industrial funding for the public good.

5. We will seek to work with the appropriate agencies, such as The National Security Council, to determine if some of the data we seek may exist within the defense assets and could somehow be declassified and be made available to the public. Unnecessary duplication in data gathering should be avoided if at all possible with, of course, appropriate protection of both public and private interests.

6. If efforts such as the above fail in the near term to produce a Stereosat capability, the geological industries may be able to turn to the French SPOT, the Japanese EARTH, The German ARGUS, and perhaps other non-U.S. space remote sensing systems. On 9 February 1978, we learned that effective that date, the French government officially approved and funded the SPOT earth observation satellite as the first fully approved, non-U.S., non-U.S.S.R. earth resources information satellite system.

During mid-March, 1978 I conducted meetings in France with staff and management of the Centre National d'Etudes Spatiales (C.N.E.S.) regarding the approved and funded SPOT program. I am pleased to state that they have agreed to cooperate with The Geosat Committee regarding potential geological requirements and applications for SPOT earth remote sensing data.

Such non-U.S. controlled programs undoubtedly will provide in the early 1980's, internationally accessible, worldwide, high resolution, stereoscopic, digital, multi-spectral data which may satisfy The Geosat Committee's requirements for Landsat compatible Stereosat type data. Whereas The Geosat Committee encourages the international development of non-U.S. Landsat compatible systems to add to the growing worldwide Landsat digital data bank, we believe it is in the United States' national interests with respect to its space technology development to develop Stereosat type data in the near term within the NASA space program.

The 1978 Geosat Program and Institutional and Government Problems

In light of the 1979 NASA budget and the alternative approaches listed above, the Geosat program for 1978 will in addition focus on private industry-governmental institutional problems such as:

1. The relationship between the research and development and operational aspects of the NASA earth remote sensing programs from space. In this area, The Geosat Committee shall study the requirements of the geological industries for an evolving operational earth resource information system including private industry's role in the ground segment of such a system.

2. Determination of the responsibility within the federal government for support of improving technologies concerning non-renewable resource acquisition (i.e., domestic discovery and international discovery and world trade).

3. Private industry funding participation under the present rules through such mechanisms as:

   a. a government regulated "Comsat type" role for private industries;

   b. equitable cost sharing through a product pricing system shared fairly by all users;

   c. private industry funding through tax incentives such as provided by the "Gallagher Amendment" in Canada.

The National Interest

Whereas the implementation of the Geosat recommendations are specifically within the interests of the geological and engineering industries, they would be used by all users of Landsat imagery from all disciplines including geology. More important, The Geosat Committee believes these recommendations to be within the best interests of this

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nation as well as ultimately the world. There has been a steady twenty-five year decline in United States domestic discovery rates for oil, gas, and many strategic minerals, which in turn serves to further reduce our domestic reserves of non-renewable resources. Other countries have or soon will experience similar conditions. The Geosat Committee believes the addition of its four recommendations to the NASA plans through the 1980's can provide data to the world geological community which will help alleviate the U.S. and world problems of declining discovery rates for basic non-renewable energy and mineral resources. The solution to these problems would directly benefit all of mankind.

Conclusion

In conclusion, I wish to reiterate our request of this Subcommittee to appropriate the $4,000,000 increase in The 1979 NASA budget as recommended for authorization by the Committee on Science and Technology of the U. S. House of Representatives, or consider the alternatives outlined above. We believe that Congressional support is paramount to the successful, early implementation of the Stereosat program and the other recommendations of The Geosat Committee.

Finally, I wish to respectfully express my appreciation for the opportunity to appear before this Subcommittee and to offer on behalf of The Geosat Committee our comments on and concerns about the 1979 NASA budget and its effects on the goals of The Geosat Committee and the interests of our Nation.

Dr. HENDERSON. Thank you.

Mr. ALEXANDER. Thank you very much, Dr. Henderson, for a very fine statement.

I know that every member of this Subcommittee is most impressed with the Land Satellite Program.

Speaking for myself, I am most impressed with the Seasat Program, which is in progress.

How will the Stereosat addition, as requested by your appeal this morning, accelerate this nation's interests in developing the discovery or accelerating the discovery of oil resources and other natural resources?

Dr. HENDERSON. We are forced right now to work basically with very limited Stereo coverage of side lab on the Landsat system. It has a low base to height measure. That is the exaggeration is very low. What the geologist wants to be able to do is interpret structures in three dimensions. He's limited with the present monoscopic or two-dimensional image, where he can't tell which way things are going, so to speak, to build a structural model on which he builds his model for exploration. The Stereo capability is extremely valuable. We have some of the finest photo geologists in the world on our committee. None of them can say how much more valuable except it is many times to them.

Do you have a comment, John?

Mr. RUCKMICK. Just to emphasize and underscore what you are saying, as a practicing minerals exploration geologist, we are trying to get the best data we can out of these very complicated and expensive programs that NASA—they have developed a high degree of technology. We think they can be improved upon by an order of magnitude or at least 10 times by a very small incremental cost.

For a geologist to be able to see morphologic features in 3 dimensions it is maybe 10 or 50 times more important to an interpretation than to be able to see only a flat image.

Mr. ALEXANDER. How does this addition differ from the work that's being done to distinguish and differentiate the progress of crop development or crop progress in the food field around the world?

Mr. RUCKMICK. The geologic interpretation of these images and the agricultural interpretation are widely different professional areas. Equipment that's designed to produce a high degree of resolution in one may not produce anything at all in the other.

Sometimes vegetation helps us in our interpretation of geology; but mostly we are trying to look at morphologic features, rock types, and rock structures.

Mr. ALEXANDER. I guess that was sort of a dumb question.

Dr. HENDERSON. Not actually. That's the point of the 2.2 micron. It will look at rock and clay types. We can't see that in Landsat. It wasn't designed to do that.

Landsat does an excellent job of what it was designed to do. It was not designed to treat our particular needs. We are not trying to change that but add to it.

Mr. TRAXLER. Will Landsat D have increased capability? If you know the answer.

Mr. Alexander and I have an interest in agricultural matters. I think it is candid to say we have been disappointed thus far with the kinds of results we got out of our crop forecasting service, in try-

ing to predict relatively accurately what, for instance, wheat crops are around the world through the use of Landsat. The information we are fed back by the Department of Agriculture is that the technology is not adequate enough to provide any reliable data relative to crop forecasting; and it is frustrating to us.

It is frustrating to my grain growers.

We would like to know with some reasonable degree of certainty on a given point in time what the Russian wheat crop is.

Dr. HENDERSON. Right.

Mr. TRAXLER. Incidentally, the Department of Agriculture has decided not to proceed with an operation in this area after a few years of research. They are jumping over to several other crops now and they are going to do research in those areas. They have no intention of going on line with, for instance, their wheat forecasting through the use of Landsat.

I guess what I am saying to you is, if you have an opinion in this area, just how accurate is that kind of information we are getting fed back?

In your opinion, what would Landsat D do for us?

Dr. HENDERSON. I don't really feel competent to comment on that program. If you think you are frustrated, you ought to try our frustrations in realizing many of the areas of exploration interest worldwide aren't sensed because they are not wheat-growing areas.

Therefore, the data has—that has been obtained in many areas is limited in terms of the coverage. Many companies have expended a considerable amount of effort trying to get the Landsat system turned on over areas of geological interest.

NASA cooperates, but it is a difficult process.

Mr. TRAXLER. There is another interest this Committee has in Landsat, aside from the usual NASA and your concerns. That is flood plain mapping. We had asked the Department of Housing and Urban Development to cooperate with NASA in this regard and determine on a pilot project basis whether or not we could use Landsat to pull some of the terrain features and the terrain elevation so that we could relatively cheaply, hopefully, and expeditiously, get on with our flood plain mapping.

Their preliminary results indicated that the state of the art is such that kinds of elevations that would come out of present technology are not adequate.

Dr. HENDERSON. Again, seeing the present Landsat system as a function of resolution primarily, Stereosat was designed, for example, to give us resolution—4 times better than Landsat.

I don't know if that would meet your needs or not. It would be a considerable step towards it.

As you know, there are limitations on how far we can expect to go with the resolution. Your vertical resolution to give you the heights you are interested in are roughly the same size as your horizontal resolution. So, if you are limited to, say, a 20-meter or a 10-meter size, you are going to be limited, more or less, to the same kind of limitations vertically.

However, with Stereo you can do an excellent job of getting slopes which you can not get without Stereo. It isn't there to interpret. You are either 50 percent right or 50 percent wrong most of the time.

Mr. TRAXLER. We are familiar with that process.

Mr. ALEXANDER. Mr. Coughlin?

Mr. COUGHLIN. Thank you very much.

Let me ask first, were you involved with the Jupiter Orbiter probe at all?

Dr. HENDERSON. No, sir. I might say that we represented the fact that in our community we have been teased, if you will by the many things we have seen geologically from the Landsat program. Our community has never been organized before the creation of this Committee. This is a unique effort to try to find out geologically what we are learning in Landsat.

We were not involved in any of those programs. Perhaps some individual members were; I don't know.

Mr. COUGHLIN. If you had to rank in importance, the request you are making today, compared to funding of the Jupiter Orbiter probe, how would you rank them?

Dr. HENDERSON. I would find it difficult to answer that.

I am a scientist.

When the first Jupiter return came back, I watched that. It was scientifically exciting.

We need to know more about the universe and planetary system.

But, fundamentally we have to look at our own earth first.

Mr. COUGHLIN. You would rank this ahead of the Jupiter Orbiter probe?

Dr. HENDERSON. Officially, yes. Because we are concerned about our problems in finding more resources for this country.

Mr. COUGHLIN. We have a proposal here of some $13–$14 million for a solar polar satellite. How would you rank that? Should we take the $4 million for this out of that?

Dr. HENDERSON. I don't think I know enough about that to make a judgment of that nature.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. ALEXANDER. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

If my colleague would yield on that point, I almost feel like asking you to mix apples and oranges, talking about the Jupiter Orbiter Probe and Stereosat. Oddly, the investigation of the universe is what we were after. The Jupiter Orbiter Probe is the next step in that investigation.

I was very interested in your comment that every day we spend incremental costs of imported oil, what, to Stereosat?

Dr. HENDERSON. Two Stereosats, yes; 700 per year.

Just on that comment about the polar—which I don't feel competent to make a judgment on—we are frustrated in our industry with the diminishing capability for our finding basic resources. That's our job. There are many other things that, you know, are part of this discussion, political, governmental, other things that are part of that problem.

One of them is the fact that we found most of the easy things. We need better tools than we are getting from our own industry to help us do our job.

I feel if we don't pay attention to where our resources are coming from and support technologies in this area, maybe some of these things we are learning about far out space stuff may come too late for us to help us right here.

John?

Mrs. Boggs. The point I was making was, we should be able to afford both.

Dr. Henderson. Yes, ma'am.

Mr. Ruckmick. I think your comment on apples and oranges was perfect. These decisions are hard to make when you are choosing between the Jupiter orbiter and developing resources on our own planet. We should be able to have enough funds to do both.

Mr. Coughlin. The problem is apples ond oranges both cost money. We have to make choices as to where we spend the money.

Mr. Ruckmick. I want to emphasize the difficulty of that. Our immediate cultural needs are natural resources. I give that a higher priority, if we want to continue at our present cultural level. A lot of people are unaware, certainly not you people, but a lot of people in our community are unaware of the incredible demands our present culture makes on natural resources.

As exploration geologists, we can see the increasing difficulty in discovering and developing natural resources. We would tend to place a higher priority on that. It's just a matter of existence.

Dr. Henderson. I was going to say maybe the question isn't mixing apples and oranges, but apples and a fine painting.

Mr. Alexander. I think Mr. Traxler has another question.

Mr. Traxler. What do you think you are going to find? What are the possibilities?

Let me tell you about one of our problems. We communicate with our constituencies and describe to them some of our energy problems, which is not one presently of quantity, but rather of economics.

They are most hopeful—and express this to me most verbally—there would be large discoveries made within the United States, or on the continental shelf, or further discoveries in Alaska, for instance. Their hope is that there will be a greater amount of oil energy independence in the coming years.

I haven't read anything that would substantiate that kind of hope. What would your thought be as to the probability of major oil reserves that are yet undiscovered in the United States, or our territories, or bottom lands that we can lay claim to? What do you think the situation is there, John?

I am asking for an industrial crystal ball.

Mr. Ruckmick. Well, I can make a few comments. First, I would qualify my comments by saying, I am a minerals exploration geologist, and not an oil geologist. There is a major division in our profession. We do have a case where Bill Trollinger has used the LANDSAT imagery to work out structures in Guatemala leading to the discovery of a new oil field. We believe there are other places in remote areas where we can achieve this same thing with good stereoscopic coverage.

In terms of copper deposits, our company has been working on an area of volcanism in Nevada where we see structures much larger than we imagined. The structures are larger than the coverage we get from a single air photograph taken from airplanes.

From this, we are developing an exploration model that we think may lead to discovery of large deposits of copper in Arizona.

In other words, in terms of determining where undiscovered deposits may be, we are starting to work out major controls that may lead us to

where these things are now concealed by the southwestern United States.

I think it is important to get stereo coverage to help us in our interpretations. You can sense, perhaps, a little bit of frustration in the amount of time and energy we spend in space technology and what my community feels is relatively poor data: a large amount of it, as has been pointed out, is oriented toward agriculture.

The data itself does not have high enough resolution and is not three-dimensional. It is difficult for us to use. We think that at a small incremental cost, we can improve things ten-, twenty-, or fiftyfold.

Mr. TRAXLER. Let's move over then to the oil man.

Dr. HENDERSON. I am not an oil man. I am also mineral exploration geologist. I have had oil background.

Mr. TRAXLER. Thanks a lot.

Dr. HENDERSON. Well, many studies have been made to attempt to predict how much oil and gas remains. I think one number that is a reasonable thing that I have seen—not many people would disagree with—probably 60 percent or more of any future oil and gas discoveries in U.S. areas will be offshore.

All of the systems in space are not going to directly help you in offshore exploration. They will help us, oddly enough, in extrapolating onshore geology offshore.

You mentioned, or I guess Mr. Alexander mentioned the Seasat. Seasat has an altimeter radar on it. The Seasat mission was designed with oceanographic purposes in mind; very little, if any, geological input went into that satellite system.

Yet now that the Seasat Committee has taken a look at the data, we find if we can get NASA to save all the data and also keep the altimeter running over the continental shelf, we believe you get basic geophysical data that is going to come from oceanographic radar.

Mr. TRAXLER. Thank you.

Mrs. Boggs?

Mrs. BOGGS. No. That's very good information.

I simply wish to state that I feel very strongly that we have to go ahead with the Stereosat, and that the very amounts we are spending in imported oil would prove that a $4 million appropriation this year in this regard would certainly be a very reasonable amount to spend.

As far as the Jupiter Orbiter Probe is concerned, throughout your testimony you were mentioning the other areas of interest, of cooperation in this field from other nations, and their own systems are already set up, particularly the French system.

Of course, we have this type of situation in the Jupiter Orbiter Probe. We have agreements with, treaties with, expenditures of funds predicated from the community, and so on.

I know it puts you in a very peculiar position when you are asked to choose. I still think it is mixing apples and oranges. I still think we need both of them for the health of the United States.

Dr. HENDERSON. We concur.

Mr. TRAXLER. Thank you very much, gentlemen. I appreciate your testimony. I understand the problem. We will do all we can to be of assistance to you.

EPA—Section 304

WITNESS

CHARLES BOOTHBY, NATIONAL ASSOCIATION OF CONSERVATION DISTRICTS

Mr. Traxler. Charles Boothby, National Association of Conservation Districts.

Mr. Boothby. Thank you.

Mr. Chairman, members of the Committee: I am Charles Boothby, Director of Public Affairs, National Association of Conservation Districts.

Our association is composed of nearly 3,000 soil and water conservation districts and their state associations in the 50 states, Puerto Rico, and the Virgin Islands.

Conservation districts are established under state laws as legal subdivisions of state government. They are providing services to over 2 million landowners across the country.

Conservation districts have been directly involved in the preparation of water quality management plans in almost every state, especially where such plans address water quality problems from erosion and sedimentation, animal wastes, and salinity in irrigation return flows.

In many instances, conservation districts and state soil and water conservation agencies have the necessary legal authorities to control these sources of pollution and are being designated as the management agency for agricultural non-point sources of pollution in the 208 Plan.

By November 1978 it is estimated that 50-60 areawide and 30-35 statewide 208 management plans will be at least conditionally approved by EPA.

With this workload facing the nation, and with the technical expertise available from the various federal technical agencies, we believe that Section 304(k) of the Clean Water Act should be implemented in fiscal year 1979.

I might add parenthetically that Section 304(k) in the new Clean Water Act is the same as Section 304(j) in the Clean Water Act of 1972, which authorizes the Environmental Protection Agency to transfer funds to other federal agencies for the purpose of getting technical expertise to assist in the implementation of 208 Plans.

The successful implementation of 208 Plans will require the best efforts of everyone, including the various federal technical agencies.

We hope that the federal agency input will be used primarily to assist state and local government in bringing the newest of technical expertise to bear on implementation of 208 Plans.

Since state and local governments have the responsibility for implementation, all avenues must be explored to support and build their capabilities to carry out these functions.

Diffuse sources of pollution are, almost by definition, difficult to identify by source or to control. In many instances there may not be recognized relationships between the prescribed land use treatments and the resultant water quality. Innovative approaches will be necessary in order to meet the water quality goals of the nation.

Conservation districts are taking 208 planning and implementation seriously. But help is needed. We hope you will support our request for funding Section 304(k).

Thank you for this opportunity to express our views.

Mr. TRAXLER. Thank you.

Mr. BOOTHBY. I would add we have reviewed much of the rest of the EPA budget, especially as it relates to water quality planning.

There are substantial increases recommended in the budget. We favor those increases. This is the only one that we have specifically mentioned.

Mr. COUGHLIN. Is there money budgeted for Section 304(k)?

Mr. BOOTHBY. No, sir.

Mr. COUGHLIN. About how much are you talking?

Mr. BOOTHBY. $60 million.

Mr. BOLAND. We funded about $300 million for Section 208 programs and about $200 million of that has been obligated.

Mr. BOOTHBY. I think much of it has been very well spent. I think there are many states that tended to ignore 208 early on. I think this is no longer true. I think most states are taking 208 seriously and are moving ahead and developing their water management plans.

I think it is a very worthwhile program.

Mr. TRAXLER. Yes. Well, we know that the Conservation Districts have done an incredible job in this country of preserving our lands and soils, one of our most valuable natural resources.

Mr. BOOTHBY. We find that keeping the soil out of the water not only keeps it in place and protects its productivity, but also keeps the water clean, too.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Let me get the end of the great Mississippi River system. We thank you for saving some of that soil out of the water. Thank you very much.

Mr. TRAXLER. Larry?

Mr. COUGHLIN. No further questions.

HUD/EPA

WITNESS

DAVID SHEPHERD, MAYOR OF OAK PARK, MICH.

Mr. TRAXLER. We are pleased to welcome our good friend the Mayor of Oak Park, Dave Shepherd, representing the National League of Cities.

You have a statement. I am sure.

Mayor SHEPHERD. Yes.

Mr. TRAXLER. You may submit that for the record and touch on any highlights you wish.

Mayor SHEPHERD. Thank you.

Good morning. I am David Shepherd, Mayor of Oak Park, Michigan, and chairman of the Southeast Michigan Council of Governments. I appear today as a representative of the National League of Cities and the League's Environmental Quality Steering Committee,

to comment on several aspects of the Environmental Protection Agency's budget.

With me is Tom Tatum of the NLC staff.

I would also like to submit separately, for inclusion in the hearing record, the National League of Cities' statement on the fiscal 1979 budget for the Department of Housing and Urban Development. Our decision not to present this statement orally is not an indication that the HUD budget is of less importance to the cities, but is merely in the interest of time and the number of witnesses scheduled to appear before you.

[The full statement follows:]

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STATEMENT

by

THE HONORABLE DAVID SHEPHERD
Mayor of Oak Park, Michigan

on behalf of

THE NATIONAL LEAGUE OF CITIES

on

FY 1979 HUD Appropriations

before the

House Subcommittee on HUD - Independent Agencies

of the

HOUSE APPROPRIATIONS COMMITTEE

April 13, 1978

INTRODUCTION

Mr. Chairman and Members of the Committee. I am David Shepherd, Mayor of the City of Oak Park, Michigan. I am pleased to be here today to testify on behalf of the National League of Cities (NLC) which represents over 15,000 municipalities through our network of State Municipal Leagues and direct membership.

I would like to submit for inclusion in the hearing record a copy of NLC's 1978 Priorities for American Cities, as well as a copy of the Community Development Chapter of our 1978 National Municipal Policy Statement. I want to specifically call to the Subcommittee's attention the statement on physical development in the Leagues' Priorities for America's Cities. The basic thrust of these statements is a call for "policies aimed at conserving and revitalizing urban neighborhoods."

The purpose of this testimony is to give you NLC's position on HUD's FY 1979 budget, particularly with respect to housing. In general, NLC believes that the HUD budget for FY 1979, while calling for modest increases over FY 1978, marks a major and welcome shift toward urban conservation. It places a much greater emphasis than previously on the rehabilitation of the existing stock and, at the same time, provides for a substantial increase in new housing starts in urban areas. We are very concerned, however, that both new and rehabilitated units assisted by HUD support overall community development plans so that housing for lower income families can be provided in a manner that conserves urban neighborhoods and prevents sprawl as well. Achieving these aims requires a greater degree of planning and coordination at the local level, particularly with the housing assistance plans required under the Community Development Block Grant Program.

HOUSING ASSISTANCE

The budget request for the Section 8 assisted housing and public housing programs remains at the 400,000 unit level, the same request as the last three years. Unfortunately, there have been an inordinantly large number of start-up problems with the Section 8 program since its enactment in 1974, which has made it difficult to achieve planned program levels. NLC believes that these problems have now been substantially solved. HUD predicts a 63 percent increase in assisted housing starts this year, providing hope that we can move beyond the 400,000 unit level next year. We strongly urge the Subcommittee to approve the President's budget request for FY 1979.

Part of the problem in meeting the planned unit levels has been the Congressionally-mandated set-asides for State Housing Agencies and for housing for the elderly and handicapped under Section 202. To the extent that the set-aside level is not reached in either of these categories, for a variety of reasons, there are fewer units available for private housing developers. For example, the shortage of units available for private developers was particularly evident when HUD instituted its neighborhood strategy area demonstration program.

) was hard-pressed to fund 20,000 Section 8 substantial rehabilitation units to get this promising program underway. NLC strongly urges the eliminiation of these set-asides.

NLC supports the new category of "moderate rehabilitation" proposed for the Section 8 program this year. Many units can be saved from further deterioration if assistance is made available for needed moderate repairs, and, at much lower cost. In our opinion, this new initiative broadens the choices for housing for low and moderate income persons, and it aids in the preservation of our existing housing stock.

NLC strongly urges expanded funding for the Section 312 rehabilitation loan program. The President's National Urban Policy statement also recognizes the importance of the 312 program and proposes an additional $150 million over the FY 1979 budget proposal of $95 million. As this subcommittee knows, the Section 312 program is a critically important housing tool for our cities. The program is very popular, and, even more importantly, it works.

At the present time, several cities are confronted with the problem of phasing down their rehab activities because of insufficient funds for the remainder of FY 1978. Over the last few weeks, NLC has informed the Congress of the importance of this situation. We believe a supplemental appropriation for Section 312 would be beneficial and, more importantly, urge the Subcommittee to appropriate the maximum amount authorized for fiscal year 1979 for this vital program.

For several years NLC has emphasized the importance of conservation in the Nation's cities. Rehabilitation is one approach to conservation. Another important approach is the prevention of structural deterioration in the first place, particularly in our public housing stock.

The Congress has recognized the needs in this area by providing for the public housing modernization and operating subsidy programs. Unfortunately, there is too little money to do the job that is needed. Those communities which were the first to respond to the need for public housing are now saddled with projects sorely in need of modernization. We must protect that investment. NLC believes that moderate increases in both modernization funds and operating subsidies would be a worthwhile investment of Federal resources to help ward off further deterioration of the public housing stock.

NLC supports HUD's proposed flexible operating subsidy program to assist financially-troubled multi-family projects. However, at least two problems exist. First, it should be recognized that the funds proposed in the budget are inadequate to assist all of the projects that are likely to be eligible for assistance. Second, there appears to be no provision for city consultation with HUD in determining which projects within a city will be helped. Since all projects cannot be assisted, we believe it is essential that HUD work with cities to determine which projects will receive this special assistance.

NLC supports the appropriation of an additional $2 billion for the Government National Mortgage Association's (Ginnie Mae) Special Assistance Functions. The availability of tandem mortgage funds for Section 8, FHA-insured projects actually is getting Section 8 units built. The League also supports HUD's targetted tandem program, which would use Ginnie Mae funds for privately-built moderate-income multi-family housing in distressed cities. Here, too, consultation with cities on the location of units to be assisted is essential to avoid conflict with city community development strategies. We object to limiting the program to distressed cities with populations over 50,000. Moderate-income multi-family housing is urgently needed in smaller distressed cities as well.

The National League of Cities strongly believes that cities can regain their economic health only by attracting larger numbers of middle and upper-income families. The targetted tandem plan for middle-income housing is a promissory approach to helping cities increase their non-dependent population in balanced neighborhood settings.

In summary, although we are still faced with serious housing problems, in its FY 1979 budget HUD appears to be moving in the right direction. The Department is both improving its performance in new housing starts and providing resources for the conservation of our existing housing stock. We believe the tools are now in place to expect substantially higher funding levels for housing in future years.

COMMUNITY DEVELOPMENT

NLC also strongly supports the budget requests for the Community Development Block Grant ($3.7 billion) and the Urban Development Action Grant ($400 million) programs. These programs provide the basic Federal aids for overall community and neighborhood revitalization, as well as for efforts to revitalize the economic base of our communities. The League also supports the Department's request for planning ($57 million) and research ($62 million), which provide needed funds to deal with community development problems and to increase our understanding of the full range of urban issues.

Thank you for this opportunity to appear before you on behalf of the National League of Cities.

I encourage you to review our testimony with the President's urban policy in mind. His statement and proposed programs reflect the importance of preserving our nation's cities, an urban conservation policy stressed by NLC for several years. HUD's proposed 1979 budget already contains a substantial portion of the urban policy's direction and programs. Therefore, the League believes, at a minimum, that full funding of HUD's programs is essential. We look forward to presenting our views to you on the urban policy proposals that will be authorized by the Congress in the coming months.

The League is also concerned with the part of the environment plays in urban revitalization efforts. We are therefore pleased to see a substantial commitment in EPA's budget to public health through environmental protection. The EPA budget for Fiscal 1979 shows a needed increase to implement recently enacted environmental laws while stepping up critical enforcement in several areas. However, funding for air quality and solid waste planning, in particular, has not fared well.

One of the most important concerns of local governments is their part in the effort to clean up our nation's air. Cities, states, and regional planning commissions are now engaged in a major effort to revise state air quality implementation plans. These revisions are mandated by the Clean Air Acts amendments of 1977 and they must be completed by January 1, 1979.

When Congress passed the 1977 amendments to the Clean Air Act, it recognized that a substantial amount of work at the city level would be required to incorporate the new requirements into the state implementation plans (SIPs). Congress anticipated that the financial burden would be heaviest in the areas which has not attained the standards for transportation-related pollutants and which must, therefore, plan and implement extensive transportation control plans. To ease the burden on local governments—which are mandated by the Federal Government to do the revision work—the amendments authorized $75 million for a two-year period in Section 175 of the Clean Air Act amendments.

To date Congress has not appropriated these funds and the Administration did not request them in its 1979 budget. The Environmental Protection Agency apparently requested the funds during the Administration's budget preparations, but OMB directed the Department of Transportation and EPA to work out a plan to find the required air quality planning using DOT's existing tranportation planning funds. After six months of negotiation, there has been no final agreement and therefore no funds have been made available for local governments to fully participate in revising the SIPs.

On March 27, the President announced the Urban Policy, which included $25 million for grants to local governments for air planning. This was welcome action by the Administration. However, the $25 million will be targeted to distressed cities, and many other areas which don't fit this category need help. The Administration's request is therefore delaying by several months immediately needed funds. $25 million is only one-third of the authorized level of Section 175. In fact, it's too little too late.

EPA has made some effort to reprogram funds internally. But to date only $2 million has been shifted to the local air planning process.

NLC urges Congress to act to insure that this $75 million is provided.

Talk of money reprogrammed from DOT or other sources will not pay for the work that must be done. As the Senate Environment and Public Works Committee noted in its March 15 report to the Budget Committee, "The $75 million figure represents an absolutely necessary level of funding." This Subcommittee needs to make a strong statement that these funds are vital by providing the full authorized amount.

In NLC's opinion, the $75 million is critical in the national effort to clean up America's air and I want to draw your attention to the very grave risks which will be run if this money is not forthcoming soon:

First, it should be emphasized that these SIPs are not plans that will be put on the shelf when they're completed. SIPs are action plans that must be implemented as expeditiously as possible. In nonattainment areas, the law requires annual incremental reductions in total emissions, a goal which can only be attained if many of the control measures in the SIP are implemented by 1980. As one example, all urban areas which cannot meet the photochemical oxidant standard by 1982 are mandated to have a vehicle emission inspection and maintenance program in operation by 1982. The SIPs are legally enforcible documents which will insure that progress is made toward attaining ambient air quality standards by the mandated deadlines.

Secondly, there is a strong possibility that many areas and states, without these planning funds, will not complete their SIPs by the January 1, 1979, deadline or that they will submit unapprovable SIPs. If this happens, the sanctions in the Clean Air Act amendments will be automatically improved, including a cut-off of federal highway funds and EPA funds and a prohibition on new construction permits for major stationary sources of pollution.

The possibility of delayed or unapprovable SIPs is a real one. A recent survey of 50 regional planning agencies indicates that most think SIP revisions will be impossible to complete without the $75 million. Some of the tasks that may not be completed on time include air quality monitoring, emissions inventories, estimates of the potential effectiveness of alternative control measures, estimates of population, economic and minor source growth, computer modeling to assess alternative growth strategies and analysis of economic and energy implications. EPA now says that it has scaled back the analysis and evaluation required in the 1979 SIP revision in view of the shortfall in planning funds, but EPA's requirements are still substantial. At any rate, postponing requirements does not solve the problem—the planning must still be done in 1979 if not 1978, and the money must still be found to do it.

Thirdly, a lack of adequate funds for SIP revisions will likely thwart one of the primary goals of the Clean Air Act amendments, which is the involvement of local elected officials in air quality planning and their support of the resulting plan its implementation. I think it is fair to say the failure of many transportation control plans imposed under the Clean Air Act of 1970 can be traced to a lack of local political support for the plans. To correct this, the amendments of 1977 promote local support through provisions for consultation with local elected officials in drawing up most major plan elements and through the requirement that organizations of local elected officials oversee the SIP revision in areas that cannot meet the transportation-related pollutant standards by 1982.

But if local elected officials perceive that sufficient funding will not be available to do adequate and successful planning, they will very likely disassociate themselves from the whole process. Indeed, we already see this happening in several areas where councils of government or regional planning agencies have refused designation as the SIP revision agency. In my own case, the Southeast Michigan COG has agreed to oversee the plan revision for our area only on condition that federal funding authorized in the amendment is forthcoming. If this trend continues, the erosion of local political support would be a crippling blow to the amendments at this early and crucial stage.

The Clean Air Act amendments continue a welcome trend in federal legislation, setting broad national goals and allowing local and state governments to plan and implement their own programs to meet these goals. But Congress cannot shift the responsibility to local and state governments for carrying out its statutory mandates without also shifting some resources to help them perform their new responsibilities. Already the delay is securing local planning funds has made it appear to local governments that there is little interest at the federal level in helping them meet the increased responsibilities placed upon them by the Clean Air Act amendments. The nation's cities are anxious to make the clean air law work, but they cannot do a thorough and acceptable job unless the Federal Government provides sufficient support to conduct these SIP revision tasks.

It is now eight months since passage of the Clean Air Act amendments. In nine more months, the completed SIP revisions are due. It is imperative that there be no further delay in appropriating funds for the revisions. Without these funds, there is a serious risk that the whole clean air effort will be sabotaged or set back unnecessarily.

The League strongly urges this Committee to include $50 million for air planning grants in the Fiscal 1978 supplemental appropriations bill, so that the money will be available by mid-1978, and the remaining $25 million in the Fiscal 1979 budget. This action will help insure that the goal of clean and healthy air for all Americans is achieved in the next decade.

EPA's solid waste budget is also of great interest to the cities as the implementation phase of the Resource Conservation and Recovery Act draws near. We are pleased that the Fiscal 1979 solid waste budget request is increased by $17.1 million or 43 percent over the previous year. Unfortunately, this level of federal commitment to the Office of Solid Waste still falls short of what we consider necessary funding to carry out the Resource Conservation and Recovery Act—especially at the local level. RCRA authorized $160 million in fiscal 1979 for implementation of the Act but the Administration has requested only $56.9 million, the bulk of which is earmarked for state implementation of RCRA regulations. Financial assistance under the proposed budget is increased from $14 million to $26.2 million. However, $15 million of this amount is for state hazardous waste programs and the remaining $11.2 million for state grants to develop comprehensive solid waste plans.

By May 11, the second phase of the state solid waste planning process will be completed, and regional and local agencies will be assigned specific responsibilities for implementing those plans. Many municipalities will soon be required to undertake major actions under the

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plans such as closing or upgrading disposal facilities. This will place a significant burden on many local governments, particularly small communities in rural areas. It is critical that implementation grants be made available to local governments in order to carry out these responsibilities. Accordingly, NLC supports the recommendations of the Senate Environment and Public Works Committee to increase the RCRA Fiscal 1979 budget by $30 million—$20 million for state pass-through grants for local implementation and $10 million for rural communities assistance. Given the importance of the local role in implementing RCRA, we strongly urge that this additional but necessary funding be considered by Congress.

I would like to make one final point with respect to the Solid Waste budget. President Carter proposed as part of his urban policy a program of grants to cities for planning solid waste resource recovery systems. Under the program, EPA would provide $15 million in grants per year in each of the next three years. Considering the importance of resource conservation and recovery, we strongly support the President's initiative and urge this Committee to provide full budget authority to EPA for this program.

For water quality programs, the League is in full agreement with the $4.5 billion request for construction grants for Fiscal 1979.

Our major objection to the Administration's water quality request the lack of sufficient funding under Section 208. The League supports the full $150 million authorization, $100 million more than the Administration request. The League has just completed a field investigation of the 208 program in four metropolitan regions and has concluded that a cutback in 208 grants will seriously threaten metropolitan water pollution control efforts.

The League's views on the EPA noise budget reflect a basic concern that this important problem is being neglected at the federal level. At a minimum, the League feels that the Fiscal 1979 noise budget should be at the same level as Fiscal 1978.

Finally, I would like to mention the League's concern about the Safe Drinking Water Act, which became effective last June. The law has placed the responsibility for meeting drinking water standards on local governments. EPA's proposed regulatory amendment to the National Interim Primary Drinking Water Standards will require construction of new treatment facilities for all cities over 75,000 population.

Next year, EPA will complete an 18-month study mandated by Congress on the financial impact of compliance costs under the Safe Drinking Water Act. We are anxiously awaiting that study and feel certain that it will recommend some level of federal assistance to local governments to meet the heavy costs of compliance with this federal law.

Thank you for allowing me the time to express the cities' view on these issues.

Mr. TRAXLER. Thank you very much. Dave, for that fine presentation on behalf of the National League of Cities.

EPA was recently congratulated for the fine ZBB budget process that they have gone through. I would point out $75 million of the authorized Section 175 transportation planning, only $25 million has been requested by the President.

If you were to do some ZBBing, where would you come out? Where should we take this from?

Mayor SHEPHERD. I can't really speak for the EPA. The needs are so great. It is my feeling that the other 50 million must come through a supplemental appropriation.

The penalties for not having these plans are almost unbelievable. If we don't have the plans approved by July 1st of 1979, all EPA funds, all highway funds, will be taken from the areas that do not attain air quality.

I am not saying the law is wrong. It is right. The money must be provided for this to be done.

Mr. TRAXLER. Is that a July 1 deadline or a January 1 deadline?

Mayor SHEPHERD. January 1. The plans must be submitted by July 1. EPA must approve them.

Mr. TRAXLER. Is this a realistic figure? Is that date going to be met?

Mayor SHEPHERD. I have a hunch it will be met in some fashion. If we had had the full year to work on this, possibly; but it is a very, very cramped time period now.

Without the funding, I am not at all sure we will meet any part of this.

Mr. TRAXLER. Even if we were able to put the funds in the supplemental, they wouldn't become available until October or November. Isn't that too much slippage?

Mayor SHEPHERD. There's a lot of slippage. I am sure there are ways that it could be worked out.

Mr. TRAXLER. Just send money?

Some of us have had some experience with the Safe Drinking Water Act. One of the things that you point out to us is that the EPA's proposed regulatory amendments to the interim drinking water standards will require construction of new plant facilities for all—underline all—cities over 75,000. Is that right?

Mr. TATUM. As we understand it, it may not require a complete new facility, but it will require retrofitting the existing facilities.

Mayor SHEPHERD. The changes are substantial.

Mr. TATUM. You are talking initially $450 million impact on the city's water facilities. That's just an estimate before the studies are carried out by the respective cities and EPA. This is a real sleeper.

Our own water officers are wondering where they are going to raise the revenues to implement this program.

Mr. TRAXLER. Sewer construction costs have escalated at such a rate, for instance, in areas that I represent. The bids are now coming in at 50 percent over estimates which effectively precludes the construction of sewers anymore.

Maybe what we will do instead of cleaning water up before it goes in the lakes is clean it up as we take it out of the lakes. It would be cheaper.

Imagine that: 50 percent overruns on all of these costs. A project starting out at $50 million is $75 million.

Engineers talked with the contractors and said, "Hey, how about some rebids?" They said, "Do it, it will be higher yet."

Mr. TATUM. There is another cost that is being discovered. That is the energy costs at these treatment facilities which are running as high as half a million dollars a year in electric bills.

Mr. TRAXLER. We are doing all kinds of things in terms of new approaches to the flush toilet. I am not sure what the engineers would call this, but are the cities looking at some of these alternatives incidentally to the incinerator, disposal type to deal with human wastes?

Mayor SHEPHERD. Absolutely. That's one of the requirements of 208. We are looking at all kinds of alternatives.

Mr. TRAXLER. If I could have my own disposal system in my basement?

Mayor SHEPHERD. Quite possible. It is available now.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman. I have no questions.

Mr. TRAXLER. Mr. Young, do you have any questions?

Mr. YOUNG. Mr. Chairman, I think you already asked the question I was going to approach. That was relative to the clean air problem and whether or not, even if we did include the funding in this year's bill or in a supplemental, would it get to you on time.

You seem to indicate that if there is good faith being shown here, maybe you could work out the problem some way.

I frankly intend at markup to attempt to get that additional money included in the bill.

However, I am really concerned about whether or not the time will be such that it will help you meet the immediate problem.

Mayor SHEPHERD. Well, as long as we are assured of getting the money within the time frame. I am sure we can manage to move funds around. We could not do that without the assurance of the money.

Mr. YOUNG. Have you settled on a figure now? When we first began to talk about this it was $57 million. Then it went up to $72 or $73 million. Now we are hearing talk of $100 million.

Has anybody decided on what figure would be the appropriate amount to appropriate?

Mayor SHEPHERD. I understand $75 million would be enough for at least the first phase of the planning process.

Mr. YOUNG. I am willing to do what I can to see that that money is put in some appropriations bill somewhere. I hope it will be timely from the standpoint of your needs, to meet your statutory deadlines.

Mayor SHEPHERD. Thank you.

Mrs. BOGGS. Mr. Chairman, the other day we heard some very fine testimony suggesting that perhaps we really need to have a mid-term review of all the clean air standards, in legislation and implementation, and the impact of one decision upon another, inasmuch as we seem to have amended the Act as new situations or crises arose. For instance, we can't suddenly lay off 45,000 auto workers in this economic climate despite the exigency of certain standards. Perhaps a mid-term review is really indicated before we proceed with full implementation just to meet deadlines.

How do you feel about that?

Mayor SHEPHERD. I believe we have the deadlines facing us now. We have to act according to that. I think a review of any major program such as clean air, clean water, is always appropriate.

Mrs. BOGGS. The clean air emissions standards have been amended by the Congress, and could be again. Is that affecting some of your planning to meet the deadlines?

Mayor SHEPHERD. Those standards presently there are those we would attempt to meet. A revision of them would cause revision of planning, implementation, and so forth either up or down.

At least we do know what the standards are now. We have something to plan for.

Mrs. BOGGS. Isn't it very important to have the local officials involved in this planning?

Mayor SHEPHERD. Local officials absolutely have to be involved.

I might point out to you, there is no other environmental program that we have other than 208—208 is the one program we have where there is locally elected official participation, locally elected official support and political support all the way through.

208 is going to be a very successful program.

This same type of involvement is absolutely essential in clean air or else it will not be successful.

Mrs. BOGGS. Am I correct that whether or not it is in the supplemental, we need at least the assurance that the moneys will be available so that local officials feel that they can enter into a successful plan?

Mayor SHEPHERD. I don't want to exaggerate that point. There is a limitation to how far these things will be stretched. The 50 million is necessary in the supplemental so that we can get it in mid-'78. If we have to wait until later in '78 or '79, we are then going to have a great deal of difficulty.

If we have to wait until later than '79, I am almost positive these plans will not be completed.

Mrs. BOGGS. Thank you very much.

Mr. TRAXLER. Before you leave, I was just thinking: this represents testimony that we have had in the subcommittee for public witnesses. We haven't yet heard from the Veterans in connection with the VA problems. There's about $3 billion in this pile.

I only say that, I suppose, to dramatize the problems that this Committee has as we try to apportion out the resources that we have available to us within the context of recommendations that have been sent over by the President through OMB.

I ask for your understanding. The areas that you are concerned with represent to us vital and critical areas. They deal with the nation's health. We are going to do all we can within our resources.

Statements appear in the media about a spending Congress; if only the public would take five minutes to sit around and listen to the public witnesses who come in and implore the Congress to do more in these areas.

Understand that it is painful for us, but we say no, more often than we say yes. There is never any recognition of that. Not that we are proud of it. It is frustrating to us to see needs that are unmet, that we are unable to meet at this time.

Be assured we are very sensitive to the matters you raised and will do all we can with the limitations placed upon us.

Mayor SHEPHERD. Thank you very much.

HUD—202 Program

WITNESSES

RICHARD MILLMAN, ESQ., MILLMAN, BRODER AND CURTIS
JAMES N. BRODER, ESQ., MILLMAN, BRODER AND CURTIS

Mr. Traxler. Our next witness is Mr. Richard Millman, from the National Council of Senior Citizens.

Mrs. Boggs. We are very happy to have you with us, Mr. Millman.

Mr. Millman. I am Richard Millman. I am special counsel on housing matters to the National Council of Senior Citizens. I am accompanied by Mr. James N. Broder. We are here today to discuss the 202 program.

We are also pleased to represent the National Federation of the Blind.

This statement is also endorsed by the Ad Hoc Coalition on Elderly Housing, the membership of which is attached to our written statement.

The concern of the National Federation of the Blind is that 202 housing for the handicapped not result in warehousing of the handicapped. On the contrary, their goals is for the blind to be reintegrated into the community.

HUD can go a long way to help in this effort. However, this is not done by limiting so-called handicapped projects to 20–25 units. You can have a small warehouse as well as a large one. The operating component is the critical aspect of this housing.

For example, residential adjustment training must be encouraged and attitudes and techniques necessary for successful living by the blind must be taught. 202, if used creatively, can meet this need by providing special residential centers for the blind.

We note with pleasure that President Carter's proposed budget recommends an increase to $800 million in the loan authority for the 202 program for Fiscal Year 1979. This represents a $50 million increase over last year's program level.

Regrettably, because of inflation, the increased dollar figures will not result in more housing. Even at the $800 million level, many States will only receive two or three projects from these funds.

As evidence of the future, I refer you to the addendum attached to our written statement which includes program levels by HUD Area Offices based upon the 1978 fiscal year appropriation so you can see the meager number of units projected under the 202 program.

Moreover, unlike in previous years, HUD has made and will most likely continue to make 202 virtually the sole vehicle for elderly housing by restricting the use of non-202 funds to family housing.

Since Congress created the 202 program as the primary vehicle for meeting the housing needs of this nation's low-income elderly, we would not object to limiting elderly housing to 202 housing either in whole or in substantial part, provided that 202 remains limited to private nonprofit sponsorship.

However, if we are still to honor the goals of 120,000 units per year of the 1979 White House Conference on Aging, elderly housing production must be expanded to fill the gap left by HUD's curtailment of Section 8 elderly developments.

The existing situation on elderly housing is far worse than present and past appropriations led us to believe. A recent report of the House Appropriations Committee shows that Section 8 preliminary reservations experienced a 64 percent cancellation rate in Fiscal 1975. The same appears to be true of reservations for later fiscal years.

The combined effect of this poor production record together with inflation and the recent HUD decision to curtail non-202 elderly housing production has shattered the recently raised hopes of the elderly for an adequate housing production program.

The elderly will not accept the sham of 18,350 units as meaningful housing production. That figure is all that is netted from the 1978 fiscal year appropriation. The number of units may be augmented slightly by Central Office set-aside of approximately 1,500 units.

For example, New Jersey, the most densely populated State in the Union, will receive only three 130-unit 202 projects during this fiscal year. If there is any group in the country which cannot afford to be patient, it is the elderly.

The horror stories abound. Florida, this year, as one of our exhibits points out, will only be receiving slightly less than 700 units. In the State of Louisiana, the units have been broken down into such small allotments that they will average 20 units per project. Nobody in their right mind would ever undertake to sponsor a 20-unit project. Or the State of Pennsylvania, where Philadelphia only has 85 units.

Local HAP plans clearly reflect a much higher need for elderly housing. By virtually limiting elderly housing to approximately 18,350–20,000 202 housing units, in Fiscal Year 1978, and based on the requested Fiscal Year 1979 appropriation, to about the same number next year, HUD is not even coming close to the documented needs. HUD receives over 1350 202 applications per year, half of which are from nonprofit sponsors recognized by HUD as qualified to sponsor 202 housing.

However, only 230 sponsors on the average have been selected in the past 2 years. The number of qualified applicants, at an average of 100 units per application, demonstrates that private nonprofits stand ready, willing and able to shoulder their responsibility by developing 50,000 to 70,000 elderly units this year.

We have given you all the facts. It is up to this Committee to see that the housing needs of this Nation's elderly are met. Whether you do so by increasing the 202 appropriations or by requiring HUD to increase elderly development through appropriate allocation of other than 202 resources, or a combination of both, is not important. What is important is that the elderly will be looking to this Committee and Congress as a whole to assure that they get a fair share, both for Fiscal Year 1978 and Fiscal Year 1979.

Our second point deals with the financial conditions of the loan. 202 authorizing legislation provides for a 100 percent loan to nonprofit sponsors. The reality has been loans that fall far short of total development costs.

Appropriations Acts for 1976, 1977 and 1978 mandated that HUD provide 100-percent, long-term loans "with any cash equity or other financial commitments imposed as a condition of loan approval to be returned to the sponsor . . ."

Report language limits this cash equity provision to $10,000. Decentralization of the program as well as other provisions in HUD's

new 202 handbook have raised the ante well beyond the capacity of most creditable nonprofit sponsors.

For example, the new handbook disallows use of mortage proceeds for "movables." On a typical project the cost for such items, including office and lounge furniture, furniture for the dining area, et cetera, is between $60,000 and $80,000.

HUD provides an allowance of two percent of the mortgage on all insured projects for the elderly which can be used to purchase movables. However, HUD has determined, based on a comptroller general's report issued in 1950—before 202 was ever enacted—with respect to the College Housing Program, that such items are not allowable in a direct loan program.

In 1963, HUD sought GAO guidance with respect to inclusion of fixtures such as stoves, refrigerators and washers, in 202 projects. The GAO reply allowed the requested equipment to be included.

Since HUD failed to inquire regarding movable furnishings, as opposed to such equipment, the GAO report did not specifically relate to movables.

Significantly, however, the comptroller's opinion went further than HUD's inquiry, stating in part: "We found nothing in the legislative history of Section 202, as amended, to indicate that Congress intended to exclude from development costs in the Section 202 direct loan programs items allowed in calculating the allowable amount of the mortgage in connection with FHA-insured loans for senior citizens housing."

We have provided Committee members with copies of the relevant opinion.

Certainly, the added cost of these movable furnishings is not a relevant criterion for determining whether they should be included in the Section 202 mortgage. Congress, in the Housing and Community Development Act of 1974, legislated that related facilities such as congregate dining rooms, crafts rooms, and game rooms, which can be developed and furnished under insured programs, be an integral part of 202 housing. These facilities would be useless without the movable furnishings.

Surely then, if the movables at issue are allowed in all FHA-insured multifamily programs for the elderly, and if 202 is to provide the housing and related facilities mandated by statute, movable furnishings must be includable in the 100 percent Section 202 loan. Clearly, HUD's reliance on the 1950 comptroller general's opinion is misplaced.

Nonprofits choosing to sponsor 202 housing will not be able to afford these costs. Moreover, they will not even be able to get their money out in rental income as any profit-motivated developer would in a limited-dividend project.

Reputable nonprofit sponsors will not apply, and less than reputable nonprofits will become fronts for profit-motivated developers that can put up such capital.

In view of the expressed Congressional mandate to limit sponsors' permanent investments, the capital requirements for AMPO and for other items as discussed in our written statement are most likely illegal.

We would respectively suggest that clarifying language be included in the Committee report which will make clear to HUD Congress'

intention that the 100-percent loan contemplated by the act really be a 100-percent loan, including movables, with no capital investment required beyond the $10,000.

Our third point concerns limiting 202 to private, nonprofit sponsors. Although authorized, 202 has never been open to anyone but nonprofit sponsors. This policy has been enunciated by this Committee annually since the program was reinstituted in 1974. The demand for the program among nonprofit sponsors alone has been enormous.

Nonprofits flock to the 202 program because it is a program designed for them and because they simply have no alternative means of funding. If the program were opened to public agencies and profit-motivated development, the nonprofit sponsor would very quickly lose out in the competition to the better-financed public housing authorities or limited-dividend sponsors, and the entire nonprofit motivation would be lost. In addition, the increase in the number of applicants for scarce funds would tax HUD staffs beyond their limits.

Nonprofits understand and are thankful that the 202 program provides them with an interest rate pegged at government borrowing and a guarantee of subsidization through Section 8 for the project. Given this assistance, the nonprofits can develop this housing for the lowest actual cost, by which I mean the lowest Section 8 cost.

Most 202 projects receive some sort of property tax abatement from local jurisdictions. This would be lost on profit-motivated projects, thereby increasing the overall program cost.

The profit-motivated developers would also receive an additional cash flow for a profit, further increasing program costs.

Finally, still another income tax shelter will unnecessarily be created—unnecessarily, because nonprofits are ready, willing and able to build this housing at no additional cost to the government.

Thus, the program would provide a profit-motivated developer with a subsidized interest rate, 100 percent subsidy, cash flow, and income-tax shelter. Given the alternative means of financing available to profit-motivated development and to public agencies, it is unnecessary, inequitable and uneconomic for the government to provide this kind of additional support to them. However, we would support a supplemental appropriation of section 8 for non-202 sponsors.

While 202 is intended to be the primary vehicle for providing low-income elderly and handicapped housing, there is a large unfulfilled need to produce family housing. Broadening the base of 202 sponsors to include profit-motivated developers will create another disincentive for private developers and public agencies to meet the need for family housing.

Finally, we understand that HUD also is opposed to this change of opening the program to other than nonprofit agencies, or profit-motivated groups.

Our final point deals with the utilization of recaptured 202 funds, many 202 projects granted fund reservations in Fiscal Year 1976 may never be built. HUD will argue that this fallout is because of sponsor's inability to find appropriate sites while sponsors will argue that the lack of knowledge and the ability of area offices to effectively process applications with an eye towards production is what is at fault.

While the truth of the matter is probably a combination of the two, some 202s awarded in Fiscal '76 will never be built. We understand

that only approximately 10,000 202 units—70 projects—are now under construction.

Obviously, before any strong remedial action is taken by Congress, the maximum of pressure should be brought to bear on HUD to assist those projects that are potentially viable to proceed. Even with a maximum effort in this regard, however, some fallout is inevitable.

To correct this suitation, we propose the amendment beginning at page 16 of our written testimony.

I thank you for your kind attention.

Mr. COUGHLIN. Thank you very much. I appreciate and share your concern for the 202 program.

Mr. YOUNG. Mr. Chairman, thank you. I appreciate your statement and interest in the 202 Housing program.

As you are probably aware, it was the efforts of this particular subcommittee that pretty much guaranteed 202 to be a permanent program.

Mr. MILLMAN. I am very much aware of that.

Mr. YOUNG. I have had some problems with HUD on the 202 program. I know you have some information that I have been asking for and haven't been able to get. I wanted to ask you how you got hold of this confidential document that spells out what the allocation is going to be for this year?

Mr. MILLMAN. I did it by getting a telephone book, looking up the telephone numbers for the HUD offices around the country, calling them, or alternatively buying the newspapers in Philadelphia, New Orleans, Philadelphia, and getting the ads out of the paper.

I also said to HUD that I would make the information available to HUD Central. I was told as late as yesterday, gentlemen, that this money hadn't been sent out to the field. It's been sent out, they are having conferences.

HUD Central is completely out of control. They don't have control of the program. It is a shame. Because of that, and because of the fact that the advertising period ends June 15th, and because of the fact that HUD is requiring site control, non-profits are running around trying to figure out what are they going to do before the fiscal year expires.

This committee should be concerned. In New Orleans, for example, who in their right mind is going to sponsor a 20-unit project? If HUD accepts a 20-unit project, and they have six or seven scattered around Louisiana, there will be failures, foreclosures, fiascos.

I understand in Florida, for example, HUD has 697 units, one building of 128 units is allocated for all of south Florida, including Dade. Broward, Palm Beach. It's absurd.

One hundred and fifty units is about the average size project. Florida has about 5 percent of the elderly population of the nation and is getting 2 percent of the funding.

The Section 8 funding for the 202 program in Florida could support 2100 units. They are only getting 700 units. Someone has to grab hold of it and look at it. I think this committee must do it.

Not only are the nation's elderly being shortchanged in terms of their expectations from 202, but they are being shortchanged generally because the Secretary has mandated that no housing production for the elderly will go on in this nation outside of the now shrunken 202.

Mr. YOUNG. I agree what you are saying on this subject. I wish you had been present the two days I discussed this with the Secretary and her deputies. Using sources similar to yours, I developed basically the same information that you presented on the allocations.

Yet the Secretary told me no, that wasn't true; in fact, the allocations haven't even been made yet. I went back and checked my sources again. The next day we had another set-to on the point.

I think that's enough of that. I agree with the concern you have and will be attempting to resolve that particular problem.

Now, we have another problem that I would like to have some advice from you. In fiscal years 1976 and 1977, according to a response to my question last week, 48,000 units were allocated, but only 2,500 of them were under construction. Somewhere, there is a bottleneck of getting these projects under construction, getting the final line signed over at HUD. What is your advice as to how to break up that bottleneck?

Mr. MILLMAN. There is another existing so-called confidential document. Only recently did HUD ever look into the problem. We urged, screamed, hollered, with the assistance of Congresswoman Boggs and others who have interest in the situation. We put a lot of pressure on them.

They sent someone out to look at the field and what is going on. The report came back to the Housing staff just recently, a couple of months ago, saying, you know, your administration of the program is no further advanced than it was three weeks after the program was authorized.

Let me give you an example: Florida. We just started three buildings in Florida, in the Miami area. It took us almost two years to get those projects under construction. People were never trained and never given any assistance down there.

The projects are going ahead at about a million dollar cost increase over what they would have gone ahead at in the beginning.

My latest figure from HUD is that there are about 10,000 units under construction. There is no reason why, in 180 days from now, with some assistance from HUD, that you couldn't have 90 percent, if not 100 percent, of everything allocated in fiscal year '76 under construction, and virtually every project could go ahead within 12 months.

I believe that the problem——

Mr. BRODER. Mention the Arkansas one.

Mr. MILLMAN. When Washington wants something to go ahead, it can happen. We were stalled in Little Rock, Arkansas. Finally, the same gentleman at HUD that made the report at HUD I described to you, went down to Arkansas. He got down there. Within two days, we went from conditional commitment stage to firm conditional—firm commitment stage, to start of construction.

There is no reason why a 202 can't proceed expeditiously. Let me tell you about Pennsylvania. The best area office in the country is probably Philadelphia. There you have almost all of your production under construction.

What happens in Philadelphia? Mike Perretta, who knows all about it in the organization, made it work successfully. They are removing him and demoting him. Too successful.

This program has been starved. No foreclosures. It's worked successfully. Now HUD wants to integrate it to the FHA. Mentally, it's de-

scending to the lowest level. Anyone who pushes for projects like Congresswoman Boggs, for responsible sponsors like that, they have the trouble. They are the ones who can't get it to go. You are facing it in Florida with all the needs. All the elderly are going to be coming this year. You are all going to be facing elections. The fault doesn't lie here. The responsibility lies here to sit on HUD to stop pushing out units without production and 60 percent fallout.

Ask for production figures and what kind of management controls they have. I think when you run it like a business, you have to see a final report, not just a lot of things pushed into the pipeline with nothing coming out. You put those kind of constraints on them, you will get results.

If you back 202 and leave it to the non-profits like before and give them 100 percent loan, you will see great rewards for the nation's elderly and great satisfaction that you will partake in just as we are partaking in.

Mr. YOUNG. I appreciate your response to my question and the work you are doing in the field of providing adequate housing for the elderly.

I agree with the problems that you have just highlighted here with HUD. I am exerting much effort in the attempt to break up some of those log jams in an effort to get some of the true facts laid out, and really making an effort to get the HUD Central office to communicate with their regional office so one office knows what the other offices are doing.

Mr. MILLMAN. They met with the regional administrators yesterday or the day before. The regional administrators don't know what's going on. I spoke to one of the special assistants, to a deputy assistant secretary. I said, "I will give you the information." I said, "Gee, I thought they gave us the wrong information because I read in the Washington Post there was an advertisement for 60 units in D.C."

He said, "I agree it is small, but it's absurd. There's something wrong."

Mr. YOUNG. I wish I could have been there at that meeting.

I certainly agree with you that something is wrong. Hopefully this Subcommittee is going to be able to sit on it a little bit and get it straightened out.

Mr. MILLMAN. We only have until June 15, which is the end of this year's advertisement period. The sponsors have to go out and buy land or option land today in response to these silly ads for 20 units or the silly ads in Michigan for the few numbers of units or the silly ads in Florida that say they don't apply in Miami except for one unit.

Is this Committee going to allow funds to be put out in this absurd way to squander the resources of the nonprofit and to build in fiascos, failures, and a national housing disgrace.

Time is of the essence.

We are all sitting here. We have to make sense out of this program because the fiscal year is ending. These funds are not recapturable. There are a lot of nonprofits. As you can see, our testimony is supported by organizations whose total membership exceeds 15,000. All of the national organizations.

We are scared to death for the program.

I hope we can do something, but it has to be done in days and not in terms of months.

Mr. YOUNG. Thank you, Madam Chairwoman.

Mr. TRAXLER. Larry are you finished?

Mr. COUGHLIN. I turn it back to the Chairman.

Mr. TRAXLER. Is it fair to say HUD has been less than enthusiastic about this program?

They want to emphasize low income housing. They are far more concerned over low income housing than the problems of the elderly?

Mr. MILLMAN. My associate, Mr. Broder, is enthusiastic to answer that response.

Mr. BRODER. There are two levels at HUD to respond to that. The Secretary's level. I think the emphasis is not on elderly housing. At the level of the program undersecretary, assistant secretary, deputy assistant secretary, they have made, I must say, valiant efforts at attempting to make some sense out of a morass of program regulations that were resulting in nonproduction. They made a serious effort in that regard.

But if you are going to limit the entire production to 18,000 units a year, and drop Section 8 out as an elderly housing vehicle, other than 202, the result is going to be enormously raised expectations. That is worse almost.

Mr. TRAXLER. Would it help if we were to open up the program to the limited dividend sponsors?

Mr. MILLMAN. No. We are starting with a small pie.

The answer is not to cut that pie up further. As I documented, you have 100 percent loan, a 100 percent subsidy, tax abatement because you are dealing with nonprofits. The nonprofit motivation, the track record which includes no failures—virtually no failures when the nonprofits have done it, demonstrate they can handle this 20,000 unit allocation of 202. In fact, HUD said they could handle up to 70,000 in terms of qualified applicants that they had.

It is not going to increase production to bring in profit motivated developers to give them a further incentive which they don't need, tax shelter. We are sanctioning a new tax shelter by bringing them in.

To raise the cost, because when you have other than a nonprofit, you have to give a return of the capital. You have to increase the whole subsidy mechanism to make it a limited dividend, a return of money, plus the tax shelter, plus higher rents which is more Section 8.

You lose your real estate tax abatement if you don't do it on a windfall to the builder.

I suggest to you the focus of this Committee should be on the consumer of this housing that feels comfortable being in the hands of the Catholic Church and the socially motivated sponsor, rather than the producer and the builder.

What is happening now is you are seeing that a lot of the builders are finding that 202 is the only vehicle for producing elderly housing in this nation. That's a national disgrace as far as the elderly are concerned.

You must do something to reallocate resources immediately in this regard. The answer is not to cut up that very small pie.

The answer is—and the builders will be happy, give them more Section 8 resources to handle the needs of the elderly.

What the Secretary has done to amplify it is she has decided—and properly—that there is a need for family housing.

Of course, if you take profit motivated sponsors and put them into this, they would rather build elderly than family.

You are also, by opening it up, creating a disincentive for elderly housing. She has decided to hold, as I see it, the elderly hostage by not allowing the elderly to get anymore units in this country until family housing goes ahead.

Where I suspect—or I suggest that what ought to be going on is the Secretary and the Department ought to be focusing on how you get production ahead from proper management, not by just holding the elderly hostage.

Mr. TRAXLER. Thank you, Madam Chairwoman.

Mrs. BOGGS. Mr. Coughlin?

Mr. COUGHLIN. I agree with your analysis of the 202 program and your support for it.

Last year in addition to doing this, we tried to earmark a portion of public housing for the elderly. How do you feel about that?

Mr. MILLMAN. I definitely feel in view of the Department's attitude, you must have a form of earmarking or setaside of non-202 resources for the elderly. You must have it.

The Secretary has said and demonstrated the only elderly production will be within 202. That can't be. You can't countenance the raising of expectations on the part of the elderly and limiting them to 18 or 20,000 units a year. You must look at whether the elderly must have a fair share of public housing, or state housing production or other straight Section 8. You must look at that.

You have to decide now there will be more than 18,000 units this year, 1978. I don't know how you do that.

I imagine there's enough Section 8 floating around to do it.

This Committee's report shows there is a big fallout.

I would say you must take a hard look at it and come up with a goal of how many units are fair for the elderly this year or next year and look at whether those should be in public housing, Section 8 as well; or whether 202 should be increased.

Mr. COUGHLIN. Thank you, Madam Chairwoman.

Mrs. BOGGS. Thank vou, Mr. Coughlin. That was a follow-up question I was going to ask, Larry.

If 202, as you say, can get on the road in two days' time, if you began to push on it, shouldn't we insist that the 202 programs be processed and be out in the field to actually take care of some of the problems among the 18,350 units?

Mr. MILLMAN. Absolutely. As you so well know, when you produced and raised questions about why responsible sponsors, such as the Archbishop, was being delayed for so many years in New Orleans, overnight it happened.

It can happen immediately. You have out there the direct loan. You have out there the assistance. You have out there the quality sponsor already. There is no reason for the kind of delays. And, yes, with a little bit of prodding you can produce a lot of units through 202.

Mrs. BOGGS. One of the difficulties that we faced in suggesting that there be a set aside and other type of assisted housing for the elderly was that there would be a great deal of building in that regard for the elderly and the multiple-family housing would suffer, as a result

of it and also the 202 would, in the long run, suffer, because other types of builders could get into the housing for the elderly that was subsidized under Section 8.

Mr. MILLMAN. We don't fear 202 suffering by having profit-motivated builders or even nonprofits in programs other than 202.

The goal in 1971 was for 120,000 units per year, the needs as spelled out in the White House Conference.

I don't fear that as much, but I don't think it is proper management to effectuate an increase in family housing by saying no elderly housing.

I think that you have to hold HUD more responsible in terms of management skills rather than holding the elderly hostage. That's what you have done by doing away with the set-aside.

I think you must rethink it. I think you have to do something even this year in 1978. You can't say to the nation's elderly, only 18,000 units of elderly housing this year, until you get family housing.

I don't think that is the way to increase family housing.

You do it by requiring HUD to monitor, manage. You require them to get 202 production up. Not the way of holding the elderly hostage.

The elderly don't have the time to wait.

Mrs. BOGGS. Could you comment on two other aspects of the 202 program?

Last year HUD was told in legislation to remove the mortgage limits. Now they have put a new cap on them which is only $900 above the limits.

Also would you comment on the difficult that some of the sponsors are experiencing in having to put up thousands of dollars for the projects?

Mr. MILLMAN. To begin with, HUD previously had 231 mortgage limits imposed on the program.

HUD was recognizing that internally well-designed projects required higher mortgage units than 231.

You legislatively removed the 231 limit. HUD has now adopted some of 231. They have simply put in place unit mortgages of only $900 more. They have recently come out with a new regulation or advice saying that within this new mortgage limit, you have to include all of the features that are associated with removal of architectural barriers, something that costs about $2,000.

We went one step forward and two steps back.

I think this needs very careful close monitoring.

The second point—And it is related—What HUD is doing. Again, I think it is flaunting Congressional intent.

The loan—The Act says 100 percent loan. It says maximum contribution $10,000. Yet in many instances, as my documented testimony points out, they are talking about requirements of $300,000.

One example is AMPO. In the insured funds—that's the amount required to make the program operational. All of a sudden, they came out with a requirement that says no more AMPO.

A nonprofit sponsor gives all of his commitment in time and now is faced with coming up with $8,000 in furnishings. They say, "Well, there's a GAO report that requires it." It submitted it to you. I read parts of it. It doesn't require it. It says Congress intended in college

housing, where students might remove a removable furnishing, it wasn't too wise.

In 202 you are entitled to have everything you have in the insured programs. There is a definite attempt to make it tougher and tougher, if you are a nonprofit sponsor who wants to produce 202 housing.

I think this committee should say when we say "development costs," we mean ancillary costs, including the movables. We are facing a terrible situation. Again sponsors are applying right now for these silly unit allocations, not knowing whether they have to put up $20, $30,000 or $60- or $80- in a larger unit or project or for change orders, maybe $100- or $200.

We are reporting fiascos.

Mr. TRAXLER. Let me ask a question.

Mrs. BOGGS. Sure.

Mr. TRAXLER. A critic might say that since we are providing 50 percent of subsidizing housing costs now to the elderly, that that represents a fair ratio.

How would you respond to that?

Mr. MILLMAN. That's not accurate, in terms of what is going on. You are talking about—not 24-year in terms of allocated resources.

Mr. TRAXLER. I am talking about 50 percent of the subsidized housing dollar.

You have about 400,000 units of section 8.

Mr. BRODER. I think the answer to that is to take a look at the relative needs and the future.

Yes, we have a lot of commitments out there with 236, 231, public housing.

The elderly happen to be, in our society, one of the more ill-housed and poorest population groups.

The average income of a typical 202 project is about $3,500.

You are talking about a very poor income group. We also have a tremendously growing population group that is becoming a greater and greater proportion of our population. Probably the worse portion of that is that 236 is no longer operational. Public housing is not producing a lot of units.

So from a perspective point of view, while we may have a lot of run-out costs for previous commitments, and although you have 64 percent fallout of section 8, probably a lot of that other 36 percent was—the ones that are going ahead are probably elderly housing.

From this point onward you are going to be in a position where the 50 percent allocation of resources wasn't meeting the need. Now that is going to go down. What is 18,000 units——

Mr. TRAXLER. Let me interrupt you. I have an impression. I don't know that there's any statistical foundation for it, but in the communities that I represent, I notice that the senior citizens who live in our high-rises have vacated other housing.

Mr. MILLMAN. That's right.

Mr. TRAXLER. That housing, generally speaking, becomes available on the market then for younger people at reasonable rates. It's been there in my communities, for 50, 60 years.

Mr. BRODER. It is a five-bedroom home; can serve a big family.

Mr. TRAXLER. I just wonder, isn't there spin-off in that fashion?

Mr. BRODER. There is. It's been difficult to collect that data. It is clear that especially in rural communities where people have zero

option, other than to stay in this large home that they can no longer afford to heat, that they can no longer afford to maintain, and that is deteriorating rapidly, that this kind of rental housing frees that up for families that would otherwise never get on the market.

There is a tremendous trade-off effect when you produce an elderly housing unit in providing more housing.

Mr. TRAXLER. Thank you, Mr. Chairman.

Mrs. BOGGS. Thank you so much for your fine testimony and also for this very splendid breakdown of the units or lack of them.

Mr. MILLMAN. We can give it to you for the entire country, if you want.

[Mr. Millman's complete statement follows:]

STATEMENT

OF

RICHARD M. MILLMAN, ESQ.

LAW OFFICES

MILLMAN BRODER AND CURTIS, P.C.

SPECIAL COUNSEL ON HOUSING MATTERS

TO

THE NATIONAL COUNSEL OF SENIOR CITIZENS, INC.

AND

THE NATIONAL FEDERATION OF THE BLIND

BEFORE THE

SUB-COMMITTEE ON HUD and INDEPENDENT AGENCIES

OF THE

COMMITTEE ON APPROPRIATIONS

OF THE

UNITED STATES HOUSE OF REPRESENTATIVES

April 13, 1978

Mr. Chairman and Members of the Committee:

My name is Richard M. Millman. I am special counsel on housing matters to the National Council of Senior Citizens. I am accompanied by Mr. James N. Broder and the newest member of our law firm, Governor Ken Curtis. We are here today to discuss the 202 program.

We are also pleased to represent the National Federation of the Blind.

This statement is also endorsed by the Ad Hoc Coalition on Elderly Housing, the membership of which is attached hereto.

The concern of the National Federation of the Blind is that 202 housing for the handicapped not result in warehousing of the handicapped. On the contrary, their goal is for the blind to be reintegrated into the community.

HUD can go a long way to help in this effort. However, this is not done by limiting so-called handicapped projects to 20-25 units. You can have a small warehouse as well as a large one. The operating component is the critical aspect of

this housing. For example, residential adjustment training must be encouraged and attitudes and techniques necessary for successful living by the blind must be taught. 202, if used creatively, can meet this need by providing special residential centers for the blind.

We recognize that all the funding in the world will not deliver desperately needed housing to this nation's elderly and handicapped if HUD's inability to expeditiously and reasonably process applications continues.

As we know too well, the bureaucratic process is painfully slow. When that is combined with the lack of commitment on the part of the previous administration to turn 202 into a fully functioning program, the result is disastrous.

That legacy remains with us today.

On March 1, regulations were issued that decentralized program administration. While we do not entirely agree with this move, we can understand the rationale behind it and will

do whatever we can to make this change work.

A totally re-written handbook has been developed by the Department. The new handbook is potentially the best that HUD has ever produced. It is obviously the result of a lot of thoughtful consideration of important issues, and will put an end to much of the uncertainty as to policy and procedure in the field offices.

In our view, however, a clear distinction must be drawn between clearly enunciated policy and wise policy. The remainder of our testimony today will address the significant outstanding issues remaining in the administration of the 202 program. The resolution of these issues will, we believe, result in the best, most smoothly functioning program ever to be administered by the Department of Housing and Urban Development.

I. FUNDING LEVEL FOR ELDERLY HOUSING

We note with pleasure that President Carter's proposed budget recommends an increase to $800 million in the loan authority for the 202 program for fiscal year 1979. This

represents a $50 million increase over last year's program level. Regrettably, because of inflation, the increased dollar figures will not result in more housing. Even at the $800 million level, many states will only receive two or three projects from these funds. I refer you to the attached addendum which includes program levels by HUD area offices so you can see the meager number of units projected under the 202 program. Moreover, unlike in previous years, HUD has made 202 virtually the sole vehicle for elderly housing by restricting the use of non 202 funds to family housing.

Since Congress created the 202 program as the primary vehicle for meeting the housing needs of this nation's low-income elderly, we would not object to limiting elderly housing to 202 housing either in whole or substantial part, provided that 202 remains limited to private non-profit sponsorship. However, if we are still to honor the goals --120,000 units per year-- of the 1971 White House Conference on Aging, elderly housing production must be expanded to fill the gap left by HUD's curtailment of Section 8 elderly developments.

The existing situation on elderly housing is far worse than present and past appropriations led us to believe. A recent report of the House Appropriations Committee shows

that Section 8 preliminary reservations experienced a 64% cancellation rate in fiscal 1975. The same appears to be true of reservations for later fiscal years. The combined effect of this poor production record together with inflation and the recent HUD decision to curtail non-202 elderly housing production has shattered the recently raised hopes of the elderly for an adequate housing production program. The elderly will not accept the sham of 18,350 units as meaningful housing production. For example, New Jersey, the most densely populated State in the Union, will recieve only three 130 unit 202 projects during this fiscal year. If there is any group in the Country which cannot afford to be patient, it is the elderly.

Local HAP plans clearly reflect a much higher need for elderly housing. By virtually limiting elderly housing to 18,350 202 housing units, HUD is not even coming close to the documented needs. HUD receives over 1,350 202 applications per year, half of which are from non-profit sponsors recognized by HUD as qualified to sponsor 202 housing. However, only 230 sponsors on the average have been selected in the past two years. The number of qualified applicants, at an average of 100 units per application, demonstrates that private non-profits stand ready, willing and able to shoulder their responsibility by developing 50,000 to 70,000 elderly units this year.

We have given you all the facts. It is up to this Committee to see that the housing needs of this nation's elderly are met. Whether you do so by increasing the 202 appropriations or by requiring HUD to increase elderly development through appropriate allocation of other than 202 resources or a combination of both, is not important. What is important is that the elderly will be looking to this Committee and Congress as a whole to assure that they get a fair share.

II. FINANCIAL CONDITIONS

202 authorizing legislation provides for a 100% loan to non-profit sponsors. The reality has been loans that fall far short of total development costs. The previous Administration attempted to limit the 202 program to construction loans only and proposed high threshold financial commitments on the part of non-profit sponsors as a price for participation in the program. Appropriations Acts for 1976, 1977, and 1978 mandated that HUD provide 100% long term loans "with any cash equity or other financial commitments imposed as a condition of loan approval to be returned to the sponsor...". Report language limits this cash equity provision to $10,000. Decentralization of the program as

well as other provisions in the draft handbook have raised the ante well beyond the capacity of most creditable non-profit sponsors.

As proposed, the program will require numerous potential non-returnable capital investments resulting from differences between HUD estimates and actual costs, interest charges caused by construction delays, change orders, and moveable non-realty items. These are in addition to the returnable $10,000 capital investment required. Such expenses could easily exceed $300,000, on an average size project. The magnitude of the potential investment currently being imposed by HUD, is not contemplated by statute which grants a 100% loan. For example, the new handbook disallows use of mortgage proceeds for "moveables". On a typical project the cost for such items, including office and lounge furniture, furniture for the dining area, etc. is between $60,000 and $80,000. HUD provides an allowance of 2% of the mortgage on all insured projects for the elderly which can be used to purchase moveables. However, HUD has determined, based on a comptroller general's report issued in 1950 (before 202 was ever enacted), with respect to the College Housing Program that such items are not allowable in a direct loan program.

In 1963, HUD sought GAO guidance with respect to inclusion of fixtures such as stoves, refrigerators and washers in 202 projects. The GAO reply allowed the requested equipment to be included. Since HUD failed to inquire regarding moveable furnishings, as opposed to such equipment, the GAO report did not specifically relate to moveables. Significantly, however, the comptroller's opinion went further than HUD's inquiry, stating in part:

> "We found nothing in the legislative history of Section 202, as amended to indicate that Congress intended to exclude from development costs in the Section 202 direct loan program items allowed in calculating the allowable amount of the mortgage in connection with FHA insured loans for senior citizens housing."

Certainly, the added cost of these moveable furnishings is not a relevant criterion for determining whether they should be included in the Section 202 mortgage. Congress, in the Housing and Community Development Act of 1974, legislated that related facilities such as congregate dining rooms, crafts rooms, and game rooms, which can be developed and furnished under insured programs, be an integral part of 202 housing. These facilities would be useless without the moveable furnishings.

Surely then, if the moveables at issue are allowed in all FHA insured multi-family programs for the elderly, and if 202 is to provide the housing and related facilities mandated by statute, moveable furnishings must be includable in the 100% Section 202 loan. Clearly, HUD's reliance on the 1950 comptroller general's opinion is misplaced.

Non-profits choosing to sponsor 202 housing will not be able to afford these costs. Moreover, they will not even be able to get their money out in rental income as any profit motivated developer would in a limited dividend project. Reputable non-profits will not apply, and less than reputable non-profits will become fronts for profit motivated developers that can put up such capital.

We are also concerned that these high threshold requirements will hold down non-profit demand and open the door to profit-motivated 202 development.

These excess capital investment requirements are not unavoidable. The Housing and Community Development Act of 1977 mandated removal of the Section 231 limits from 202 projects for this very reason. Namely, that their effect was to require excess capital investment. Nonetheless, HUD immediately imposed new regulatory limits -- The Son of 231 -- only $900 per unit higher than the original limits.

HUD was, and is, concerned that removing statutory mortgage limits altogether would let 202 costs run rampant. This is simply not true since Fair Market Rent limits will still prevent excessive costs.

If the 100% loan is to be made a reality, HUD must also provide a method to increase the mortgage for necessary and reasonable change orders without an arbitrary 2% limit, plus an allowance for the cost of making projects operational, including the cost of non-realty items. Once again, Fair Market Rent Limits would act as the controlling factor.

In view of the expressed Congressional mandate to limit sponsors permanent investments, the capital requirements as stated above are most likely illegal. However, if you are convinced that some additional investment is unavoidable, clearly, revenues must be provided through the rents (and consequently through Section 8 subsidies) to allow for a return of the capital invested. Contrary to the opinion of many HUD staff members, non-profit does not mean negative cash flow. Not even non-profit organizations can operate in the red, they must break even at the very least. This could be accomplished by amending the procedure found in Section 5-34 of the new Handbook in order to base rents on actual

development cost instead of the lower of the total development cost or the HUD mortgage. This methodology would leave current limitations on mortgage amounts intact, and would merely adjust rent schedules to take into account the total costs of the building, not merely the HUD financed portion.

We would respectively suggest that clarifying language be included in the committee report which will make clear to HUD Congress' intention that the 100% loan contemplated by the act really be a 100% loan, including moveables, with no capital investment required beyond the $10,000.

III. LIMITING 202 TO PRIVATE NON-PROFIT SPONSORS

Although authorized, 202 has never been open to anyone but non-profit sponsors. This policy has been enunciated by this committee annually since the program was re-instituted in 1974. The demand for the program among non-profit sponsors alone has been enormous. In the previous two years, HUD has received just under 3,000 applications of which it has estimated that well over 1/2 were fundable if sufficient appropriations were available. Of the approximately 1,500 fundable applications, less than 1/3 have received fund reservations.

Non-profits flock to the 202 program because it is a program designed for them and because they simply have no alternative means of funding. If the program were opened up to public agencies and profit motivated development, the non-profit sponsor would very quickly lose out in the competition to the better financed public housing authorities or limited dividend sponsors and the entire non-profit motivation would be lost. In addition, the increase in the number of applicants for scarce funds would tax HUD staffs beyond their limits.

Non-profits understand and are thankful that the 202 program provides them with an interest rate pegged at government borrowing and a guarantee of subsidization through Section 8 for the project. Given this assistance, the non-profits can develop this housing for the lowest actual cost, by which I mean the lowest Section 8 cost.

Most 202 projects receive some sort of property tax abatement from local jurisdictions. This would be lost on profit-motivated projects thereby increasing the overall program cost. The profit motivated developers would also receive an additional cash flow for a profit, further

increasing program costs. Finally, still another income tax shelter will unnecessarily be created -- unnecessarily, because non-profits are ready, willing, and able to build this housing at no additional cost to the government. Thus, the program would provide a profit motivated developer with a subsidized interest rate, 100% subsidy, cash flow, and income tax shelter. Given the alternative means of financing available to profit motivated development and to public agencies, it is unnecessary, inequitable and uneconomic for the government to provide this kind of additional support to them.

We understand, however, the pressure that has been brought to bear to open the program for profit use. Section 8 availability has been severely limited in the past fiscal year. We foresaw this situation several years ago as HUD continued to fund 202 projects in the last hours of fiscal years depending on subsequent year Section 8 authority to provide subsidization. 1978 has become the year of reckoning since under a decentralized format both the 202 and the Section 8 authority will be obligated at the same time. Profit motivated developers, however, quickly forget that 202 drew almost no Section 8 during fiscal 1977 thereby leaving this money for their use alone. If there is any shortfall in 1978 Section 8 funding for profit motivated developers, it

derives from the fact that they received excess funding in the prior fiscal year at the expense of the non-profit 202 sponsors.

While 202 is intended to be the primary vehicle for providing low-income elderly and handicapped housing, Section 8 serves a broader tenant base. There is a large unfulfilled need to produce family housing. Broadening the base of 202 sponsors to include profit motivated developers will create another disincentive for private developers and public agencies to meet the need for family housing.

Finally, we understand that HUD is opposed to this change as well.

IV. UTILIZATION OF RECAPTURED 202 FUNDS

Many 202 projects granted fund reservations in fiscal year 1976 - may never be built. HUD will argue that this fallout is because of sponsor's inability to find appropriate sites while sponsors will argue that the lack of knowledge and the ability of Area Offices to effectively process applications with an eye towards production is what is at fault. While the truth of the matter is probably a combination of the two, some 202's awarded in fiscal '76,

will never be built. We understand that only approximately 10,000 202 units (70 projects) are now under construction. Obviously, before any strong remedial action is taken by Congress, the maximum of pressure should be brought to bear on HUD to assist those projects that are potentially viable to proceed. Even with a maximum effort in this regard, however, some fallout is inevitable. Under the terms of the fiscal 1977 Appropriations Act:

> "No part of any appropriation contained in this Act shall remain available for obligation beyond the current fiscal year unless expressly so provided herein".

Unlike Section 8 authority, no specific provision is included in the Appropriations Act. Therefore, funds obligated to an original sponsor and not utilized are, in fact, lost.

Since the 202 authorization is an open-ended one, not expiring until all funds provided therein have been obligated, the funds could theoretically be reappropriated in a succeeding year. However, given the fact that 202 is now an on-budget program, the likelihood of making up in later years for previous year shortfalls, is highly unlikely.

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A possible solution would be through legislation to provide that HUD may reobligate funds recaptured from sponsors not utilizing them and reallocate to other sponsors. HUD must, however, be required to initially obligate the funds during the fiscal year in which they were first appropriated.

While prompt development and the production of units is important and should be encouraged, HUD should not allow this to be used as a cover for its administrative shortcomings, or its failure to adequately train its own staff.

PROPOSED AMENDMENT

The proposed amendment should provide: "that funds obligated by a fund reservation in fiscal '76 and '77 and in fiscal years thereafter, shall not be terminated unless the cancellation of the obligation is evidenced by a determination and certification that the cancellation was due to sponsor inability to develop an acceptable proposal, and not to HUD delay or mismanagement. Such cancellation shall only be made upon recommendation of the Assistant Secretary for Housing/FHA Commissioner after notice and hearing at which all interested parties are heard. In the event of such

cancellation, funds previously obligated may be reobligated. In addition, the Secretary may automatically reobligate funds where a sponsor has voluntarily released a fund reservation whether during or subsequent to the fiscal year in which the funds were obligated".

I thank you for your kind attention and will be glad to answer any questions that you might have.

AD HOC COALITION FOR HOUSING FOR THE ELDERLY

Ad Hoc Low Income Housing Coalition
American Association of Homes for the Aging
American Association of Retired Persons
American Baptist Homes & Hospitals Association
B'nai B'rith Senior Citizens Housing Committee
Cooperative Services, Inc.
Council of Jewish Federations and Welfare Fund
The Gerontological Society
Housing Assistance Council
International Center for Social Gerontology, Inc.
Inter-Religious Coalition for Housing
Lutheran Council/USA
Lutheran Housing Coalition
National Association for Retarded Citizens
National Association for Nonprofit Retirement Housing
National Association of Area Agencies on Aging
National Association of Spanish Speaking Elderly
National Center on Black Aged
National Center for Housing Management
National Council of Senior Citizens, Inc.
National Council on the Aging, Inc.
National Indian Council on Aging, Inc.

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2

Fiscal Year 1978 Section 202
Allocation Distribution Plan
By HUD Field Office Jurisdiction

Boston Regional Office	Estimated Number of Units	Estimated Loan Authority*
Hartford	230	9,324,312
Boston	480	19,175,496
Manchester (Bangor, Burlington)	190	6,355,852
Providence	90	2,935,340
Total	990	$37,791,000
New York Regional Office		
Camden	120	4,279,881
Newark	390	15,736,625
Albany	240	7,857,310
Buffalo	190	6,434,125
New York	1060	45,656,877
San Juan	540	16,432,180
Total	2540	$96,407,000
Philadelphia Regional Office		
Washington	220	8,939,572
Baltimore	240	8,332,192
Philadelphia (Wilmington)	665	21,257,550
Pittsburg	340	12,965,775
Richmond	375	11,535,735
Charleston	170	5,594,176
Total	2010	$70,625,000
Atlanta Regional Office		
Birmingham	400	11,341,527
Jacksonville (Coral Gables, Tampa)	700	20,063,324
Atlanta	480	13,661,536
Louisville	390	11,694,219
Jackson	260	7,552,518
Greensboro	535	15,903,737
Columbia	285	8,172,959
Knoxville	175	5,197,012
Memphis (Nashville)	270	7,823,668
Total	3515	$101,406,000
Chicago Regional Office		
Chicago	610	26,133,273
Springfield	325	10,628,546
Indianapolis	460	13,594,650
Detroit	480	14,150,460
Grand Rapids	210	6,795,757
Minneapolis	300	10,282,778
Cincinnati	155	6,666,496
Cleveland	450	15,379,355
Columbus	200	8,473,100
Milwaukee	350	12,301,991
Total	3540	$128,408,000

Dallas Regional Office	Estimated Number of Units	Estimated Authori
Little Rock	230	6,52[illegible]
New Orleans	200	8,09[illegible]
Shreveport	140	4,01[illegible]
Albuquerque	90	2,93[illegible]
Oklahoma City (Tulsa)	210	6,06[illegible]
Dallas (Fort Worth, Lubbock)	470	13,40[illegible]
Houston	290	8,22[illegible]
San Antonio	350	9,94[illegible]
Total	1990	$57,[illegible]
Kansas City Regional Office		
Des Moines	250	8,872,7
Kansas City	225	7,219,1
Topeka	170	4,882,6
St. Louis	340	10,851,2
Omaha	150	4,469,4
Total	1175	$36,293,[illegible]
Denver Regional Office		
Denver (Helena, Fargo, Sioux Falls, Salt Lake City, Casper)	520	14,864,0
Total	520	$14,864,0
San Francisco Regional Office		
San Francisco (Fresno, Sacramento, Reno)	560	22,291,6
Honolulu	100	4,122,1
Los Angeles (Phoenix, San Diego, Santa Ana)	885	36,242,1
Total	1545	$62,656,0
Seattle Regional Office		
Anchorage	40	1,850,5
Boise	60	1,826,2
Portland	210	6,965,8
Seattle	175	6,966,5
Spokane	60	1,900,5
Total	545	$19,509,0

*Pursuant to Section 213(d) of the Housing and Community Development Act of 1974, as amended, these figures are subject to further breakdown into Metropolitan and Nonmetropolitan areas.

DRAFT

WITNESS

HON. ROGER SWISHER, MAYOR, KERNERSVILLE, N.C.

Mr. Traxler. Thank you.

Last but not least is Roger Swisher, Mayor, Kernersville, North Carolina.

Mr. Swisher. I already heard the ground rules.

I submitted a document.

George Gaberlavage is with our Association.

Mr. Chairman, I am Roger Swisher, Mayor of Kernersville, North Carolina and president of the National Association of Regional Councils.

The National Association of Regional Councils is a federation of units of government. I guess we cut across all boundaries, counties, planning agencies, cities. We pretty well cover the waterfront on what we do.

I appreciate your Committee giving me the opportunity to testify on the 1979 budget for the Environmental Protection Agency.

Section 175 of the Clean Air Act is one of the points I want to bring up. The Administration budget presented to this Subcommittee in early March failed to provide any funds for Section 175 of the Clean Air Act.

However, the President's urban policy calls for $25 million for air quality planning in FY 1979 which would be targeted at a 5 to 20 of the worst urban areas not meeting air quality standards. NARC applauds the decision to request funds for FY 1979, but we do not support a selective funding policy especially when all jurisdictions are required to meet the same air quality standards or face severe sanctions.

Further, the urban policy proposal does not address the present crisis faced by regional councils in completing revised air quality implementation plans.

As you know, the Clean Air Act Amendments of 1977 require the States to submit to EPA revised implementation plans by January 1, 1979 or face serious sanctions.

EPA has suggested to our members that transportation planning funds could be utilized for air quality work but after six months of negotiation EPA and DOT cannot agree on guidelines for their use.

NARC believes that EPA's proposal to utilize transportation planning funds for air quality work is unrealistic. Completed SIP revisions are due in nine short months. The reprogramming of regional council funds and staff would be difficult at this late date.

Further, there is serious doubt on the part of NARC members as to whether they can meet both the substantial requirements of the Clean Air Act and those of the various transportation laws without additional funds.

NARC urges the Congress to enact an immediate supplemental appropriation of $50 million to assist states and local governments in meeting the January 1, 1979 deadline for submittal of air quality implementation plans.

In addition, we urge the Congress to approve an appropriation of $25 million for Section 175 in FY 1979.

The 208 program provides a significant opportunity for local governments and their regional councils to deal effectively with major policy and funding decisions in achieving national water quality standards. NARC views the 208 program as the centerpiece in the nation's water pollution control efforts.

Unfortunately, the initial momentum of the 208 program was slowed by sporadic and chronic underfinancing and illegal interpretations of the law by EPA.

We believe the approval of the Administration's request for $50 million in FY 1979 will help eliminate the funding uncertainty which has plagued the 208 program and would enable states and local governments to carry out this program in a manner envisioned by Congress.

NARC also urges the Congress to enact a supplemental appropriation to meet the decision of the U.S. Court of Appeals, D.C., in the case, National Association of Regional Councils vs. Costle. This case directs EPA to compensate those 208 agencies which were underfunded and those forced to provide a 25 percent local match, in spite of the initial two-year 100 percent funding authorized by the Federal Water Pollution Control Act. While the funds needed to implement this decision are being ascertained at this time, NARC believes appropriation of approximately $35 million will be needed. I want to emphasize that this appropriation would deal solely with past inequities and places no future obligations on the Congress.

A major impediment to the full implementation of the Resource Conservation and Recovery Act of 1976 has been the low level of federal financial support. It was the intent of Congress that statewide solid waste management programs be built upon areawide management planning.

Unfortunately, present funding levels for Section 4008(a)(2) are inadequate to allow states to both develop regulatory programs for hazardous waste and pass through funds to areawide agencies for local projects.

Section 4008(a)(2) is presently funded at $12 million and the Administration has requested $11.9 million for FY 1979. NARC believes this figure to be inadequate and we support Representative Fred Rooney's proposal to add $20 million to the Administration's request. Ideally, we would like to see the Congress appropriate the full authorization of $40 million.

NARC does not recommend greater federal assistance to local and areawide bodies at the expense of grants to the states. The need to carry out the open dump inventory and develop regulatory programs for handling hazardous wastes is clearly recognized by our members.

Nevertheless, Congress must provide additional financial resources if the areawide planning capacity envisioned under the Resource Conservation and Recovery Act is to be developed.

We urge you, the Congress, to help us local, areawide and state governments, to achieve the environmental quality standards which you have set. To do this, we need larger appropriations, as requested in our comments above.

Thank you.

[The complete statement follows:]

Mr. Chairman, I am Roger P. Swisher, Mayor of Kernersville, North Carolina and President of the National Association of Regional Councils. I appreciate the Subcommittee giving me this opportunity to testify on the FY 1979 budget for the Environmental Protection Agency.

Congress has recognized the need for areawide environmental management planning and has provided regional councils with a significant role in the implementation of the nation's environmental laws. It is for this reason that I come before the Subcommittee to express NARC's great concern about the Administration's proposed budget for the Environmental Protection Agency. We feel strongly that the Administration's requests for Section 175 of the Clean Air Act, Section 208 of the Federal Water Pollution Control Act, and Section 4.008 (a)(2) of the Resource Conservation and Recovery Act are inadequate and will jeopardize the effective implementation of these laws.

Section 175 of the Clean Air Act

The Administration budget presented to this Subcommittee in early March failed to provide any funds for Section 175 of the Clean Air Act. However, the President's urban policy calls for $25 million for air quality planning in FY 1979 which would be targeted at 15 to 20 of the worst urban areas not meeting air quality standards. NARC applauds the decision to request funds for FY 1979 but we do not support a selective funding policy especially when all jurisdictions are required to meet the same air quality standards or face severe sanctions. Further, the urban policy proposal does not address the present crisis faced by regional councils in

completing revised air quality implementation plans.

As you know, the Clean Air Act Amendments of 1977 require the States to submit to EPA revised implementation plans by January 1, 1979 or face serious sanctions. In amending the Act in 1977, Congress recognized the importance of providing an opportunity for local governments to develop strategies to meet air quality standards which take into consideration local conditions. The amendments authorized $75 million to assist with the development of air quality plans by areawide agencies designated by local officials. To date, no funds have been appropriated. The implications of this situation for the President's urban policy are obvious. Without a viable air quality implementation plan, cities will not have a basis for determining tradeoffs between economic growth and reductions in air pollution.

EPA has attempted to reprogram funds internally to meet air quality planning needs. However, the $2 million made available to regional and local agencies is hopelessly inadequate. EPA has suggested to our members that transportation planing funds could be utilized for air quality work but after six months of negotiation EPA and DOT cannot agree on guidelines for their use.

NARC believes that EPA's proposal to utilize transportation planning funds for air quality work is unrealistic. Completed SIP revisions are due in nine short months. The reprogramming of regional council funds and staff would be difficult at this late date. Further, there is serious doubt on the part of NARC members as to whether they can meet both the substantial requirements of the Clean Air Act and those of the various transportation laws without additional funds.

NARC acknowledges the need to better coordinate transportation and air quality planning. Indeed, coordination is a primary function of regional councils. However, coordination should be an ongoing process not a delay which prevents local governments from meeting air quality standards.

NARC urges the Congress to enact an immediate supplemental appropriation of $50 million to assist States and local governments in meeting the January 1, 1979 deadline for submittal of air quality implementation plans. In addition, we urge the Congress to approve an appropriation of $25 million for Section 175 in FY 1979. NARC believes the involvement of local elected officials is crucial to the success of the Clean Air Act. We feel strongly that the stringent air quality standards imposed on State and local governments by the Clean Air Amendments imply an equal financial commitment on the part of the Federal government to fund this program at an adequate level.

Section 208 of the Federal Water Pollution Control Act

The 208 program provides a significant opportunity for local governments and their regional councils to deal effectively with major policy and funding decisions in achieving national water quality standards. NARC views the 208 program as the centerpiece in the nation's water pollution control efforts. Unfortunately, the initial momentum of the 208 program was slowed by sporadic and chronic underfinancing and illegal interpretations of the law by EPA.

The passage of a $69 million supplemental appropriation earlier this year has placed the program in a more encouraging light. NARC was also pleased by the

Administration's decision not to appeal in the case, National Resources Defense Council vs. EPA, which upheld the intent of Congress that the entire nation be covered by the 208 management planning process. We believe approval of the Administration's request for $50 million in FY 1979 will help eliminate the funding uncertainty which has plagued the 208 program and would enable States and local governments to carry out this program in a manner envisioned by Congress.

NARC also urges the Congress to enact a supplemental appropriation to meet the decision of the U.S. Court of Appeals, D.C., in the case, National Association of Regional Councils vs. Costle. This case directs EPA to compensate those 208 agencies which were underfunded and those forced to provide a 25% local match in spite of the initial two year 100% funding authorized by the Federal Water Pollution Control Act. While the funds needed to implement this decision are being ascertained at this time, NARC believes appropriation of approximately $35 million will be needed. I want to emphasize that this appropriation would deal solely with past inequities and places no future obligations on the Congress.

In spite of past difficulties, contacts with our membership indicate strong support for the 208 program among local officials. We are now reaching the point where the program is starting to show positive results. Let me cite a few examples:

- In Caribou, Maine implementation of a 208 plan developed by the Northern Maine Regional Planning Commission has cleaned up the once highly degraded Aroostook River to the point where Atlantic Salmon are being introduced. The 208 agency assisted in the planning of a $9 million zero discharge potato processing facility which employs 400 people.

- In the Dallas-Fort Worth area, the 208 plan developed by North Central Texas Council of Governments pinpointed stormwater runoff as the major source of water pollution. By showing that additional treatment facility capacity was not the answer to the region's problem, an estimated $100 million was saved in capitol construction costs.

- By promoting cooperation among numerous jurisdictions in the development of watershed management programs, First Tennessee-Virginia Development District (Johnson City, Tenn.) was able to save local jurisdictions an estimated $4 million in capitol construction costs. The 208 agency was able to identify regional problems, analyze the treatment facility needs of each jurisdiction and recommend improvements. Prior to the development of the 208 plan, there was a great deal of infighting among local governments over annexation and water management.

- In Youngstown, Ohio the Eastgate Development and Transportation Agency saved $400,000 in 201 money by developing a uniform data base for facilities planning. Local officials credit the 208 program with providing the means for the means for the orderly development of local treatment facilities.

There are many other success stories across the nation. One cannot overlook the fact that such policy reviews were rarely undertaken prior to the passage of the 1972 Water Pollution Control Amendments. NARC believes that the sincere and vigorous effort being made by the Administration to rectify past management deficiencies in the 208 program is the key to a successful and cost effective water quality program. We hope that Congress will underwrite these efforts by giving the program the financial support it needs.

Section 4.008 (a)(2) of the Resource Conservation and Recovery Act

A major impediment to the full implementation of the Resource Conservation and Recovery Act of 1976 has been the low level of federal financial support. It was the intent of Congress that statewide solid waste management programs be built upon areawide management planning. Unfortunately, present funding levels for Section 4.008 (a)(2) are inadequate to allow States to both develop regulatory programs for hazardous waste and pass through funds to areawide agencies for local projects.

Section 4.008 (a)(2) is presently funded at $12 million and the Administration has requested $11.9 million for FY 1979. NARC believes this figure to be inadequate and we support Rep. Fred Rooney's proposal to add $20 million to the Administration's request. Ideally, we would like to see the Congress appropriate the full authorization of $40 million.

NARC does not recommend greater federal assistance to local and areawide bodies at the expense of grants to the States. The need to carry out the open dump inventory and develop regulatory programs for handling hazardous wastes is clearly recognized by our members. Nevertheless, Congress must provide additional financial resources if the areawide planning capacity envisioned under the Resource Conservation and Recovery Act is to be developed.

Summary

In summation, NARC recommends that Congress take the following actions:

- Enact an immediate supplemental appropriation of $50 million to assist States and local governments in meeting the January 1, 1979 deadline for

submittal of air quality implementation plans under Section 175 of the Clean Air Act.

- Appropriate $25 million for FY 1979 under Section 175 of the Clean Air Act.
- Appropriate $50 million for FY 1979 under Section 208 of the Federal Water Pollution Control Act.
- Enact an appropriation of $35 million pursuant to NARC vs. Costle.
- Add $20 million to the Administration's request for Section 4.008 (a)(2) of the Resource Conservation and Recovery Act.

We urge you, the Congress, to help us local, areawide and State governments, to achieve the environmental quality standards which you have set. To do this, we need larger appropriations, as requested in our comments above.

Thank you.

Mr. TRAXLER. Thank you, Mayor.

How many people are there in Kernersville?

Mr. SWISHER. Our census in 1970 gave us 4,860. We are the second-fastest growing town in our state. Right now I estimate we have 9,000 people. I have been successful in annexing three times. That always helps.

Mr. TRAXLER. I bet your are very popular in those areas.

Mr. SWISHER. I carry them all the time. They are not that unhappy about it. We have been able to provide them with good water, good waste treatment. We have excellent garbage pick-up. If we give them the amenities, they don't seem to mind. It works out very well.

Mr. TRAXLER. Larry?

Mr. COUGHLIN. No questions except to say congratulations on a fine statement. We express our appreciation for your being here.

Mr. SWISHER. Thank you.

You gentlemen have difficult jobs. I don't envy you.

Mr. TRAXLER. Did you hear my statement that this pile of requests in front of me amounts to $4 billion?

Mr. SWISHER. I heard you say it. To be truthful, I didn't get it.

Mr. TRAXLER. These are requests from public witnesses encouraging us to make additional expenditures in areas which this subcommittee handles. We are going to do the best we can for you.

Mr. SWISHER. I don't want to take your time, but 208 is one of the things I have really been interested in. Last year our community lost its entire water supply. We didn't have zoning jurisdiction outside of town. They built a chemical waste disposal plant out there. Some vandals got in there and turned the valves and turned 30,000 gallons of highly dangerous waste chemical matter into our lake. It destroyed our lake.

Fortunately, we were close enough to our neighbor, the city of Winston-Salem, that we could hook on.

I am very interested in 208.

I am also very interested in the Air Control Act because his plant had been emitting some bad, bad odors in the air. Our people in the county had been working, trying to control this system, but one of the things we found is that while you have the standards, the EPA air quality standards, you don't really have any kind of legislation to put teeth in it to force those people to, you know, really clean up their act.

So we are sitting there—we destroyed a 125 million gallon lake of water and we were sitting—we have five streams that bring in our community and go out to other communities. Our water supply was—or our streams, the ones that began in our town went down stream and supplied 3 other cities. We had a 125 million gallons of highly contaminated water that we had to contain. We couldn't let it out. Everybody said, well, let it go downstream, dredge the lake, go back and go to work.

It doesn't work that way. What do you do with 125 million gallons of polluted water?

Mr. TRAXLER. What did you do with it?

Mr. SWISHER. It is there. It killed all of our fish. We lost an astronomical number. We lost them all.

We believe that nature has purified the lake, but we are afraid to go back on it. We will probably never go back on it. We will probably

use it for recreation. It is something to think about. All of those things tie together. That's why I am very strong for regionalism.

Where I am, it doesn't just affect the people in my community; it affects the people in Lexington, Greensboro, Winston-Salem, who all take water from our ground supply that starts there. It is something to think about.

Mr. TRAXLER. In recent years we have had some sad illustrations of what can happen in a technological society such as ours when you are dealing with highly toxic chemical compounds that get introduced into the atmosphere or into the environment or into the food chain. It is devastating.

Mr. SWISHER. We were extremely lucky. This thing happened on the night of June 3. They turned the stuff loose. The way we caught it, of course, was the terrible odor. We had to evacuate 1,200 people. It blistered the trees. It knocked all the leaves off the trees up 100 feet just wiped them out.

It went down a little ravine and right into the lake. It really killed them.

We could have lost half of our population.

Fortunately, we caught the situation before we turned it on.

Mr. TRAXLER. We appreciate your appearance today.

EPA

WITNESS

N. BRUCE HANES, ASSOCIATION OF ENVIRONMENTAL ENGINEERING PROFESSORS

Mr. COUGHLIN. The next witness is Bruce Hanes of the Association of Environmental Engineering Professors.

We have your statement, Dr. Hanes.

Dr. HANES. Thank you.

The real purpose of this testimony is to make two specific recommendations that would enhance the full implementation of federal laws concerned with protecting the environment of our nation.

The first recommendation is the implementation of a comprehensive budget measure that would develop a good work force development program for air pollution, water pollution, the Safe Water Drinking Act.

The budget is contained in Appendix A of the presentation.

The second objective is to make the recommendation that the time is here that the Congress should initiate specific legislation that requires adequate environmental work force development to implement the present federal laws.

It has become apparent over the last few years that OMB nor the Environmental Protection Agency is willing to cope with this particular problem.

The response of EPA to its manpower needs and its responsibilities in this area are puzzling at best.

If we look at the fiscal year 1977 budget cycle, they requested funds for training. The following year, fiscal 1978 budget cycle, they didn't request any funds.

They seem to be inconsistent in this.

This year there was a new program developed for training in energy-related fields, funded in fiscal year 1979. I don't know if they have that closely held opinion or not.

This year we have a new President. We have new direction for the Environmental Protection Agency.

We contacted Mr. Costle—five months later, several years, three phone calls, I received a letter on July 19. Mr. Costle stated, and I am quoting—the letter, the full text, is in Appendix B.

> Since the agency is in the process of reviewing and considering each issue covered in the NAS report, we are going to postpone a commitment on our policy with respect to academic training until all of the recommendations can be considered.
>
> I believe that selected opportunities in academic training can be pursued to good advantage—

Mr. Costle went on to say—

> In order to insure that academic training issues get full and reasonable consideration, I have asked the Office of Federal Activities, Education and Manpower staff, to convene a task group to recommend a five-year policy in this area by November 1, 1977. This task group will be in contact with you in the next few weeks.

To date, nine months later, this task group has not communicated with the professional community in spite of letters and personal visits to the Office of Federal Activities.

To the best of our knowledge, EPA has not to date prepared a policy in response to the National Academy of Sciences study of environmental manpower. If a policy does exist, it has not been made available to Congress or the professional community.

I think this is another example of the low priority given work force development by EPA.

We are puzzled by the actions and words of EPA over the last few months because we thought that there were going to be no decisions made with respect to policy; and yet we find in the submission of the fiscal year 1979 budget there were no funds requested.

This essentially eliminates the program and is a pretty direct setting of policy.

Another thing that was interesting in the fiscal 1979 budget is the work force in EPA itself was reduced from 51 to 24, over a 50 percent reduction.

This is a work force that works with work force development. I think it is an indication of future policy.

Anyway, we have interpreted it as such.

Now, the professional community has noted the past sensitivity of Congress to this issue by its appropriation of more money for professional academic training than was requested by EPA in four of the even years that the agency has received appropriations.

We have also noted the business-like approach of Congress to this problem by directing the National Academy of Sciences to conduct a thorough evaluation of environmental manpowers' needs and supply, and ways of improving the development of qualified people who enter the field.

26-648 O - 78 - 37

I summarized parts of this in Appendix C.

To help you get an idea of some of the material covered in it I have tried to tie those summaries to specific page numbers to avoid being quoted out of context. It is very difficult to capture things of that type.

I think the need for a comprehensive work force development program has been clearly established and it is just as clear that only Congress can implement the program.

The first step is the adoption of the proposed minimum comprehensive budget in Appendix A. This is the identical budget presented in our testimony last year which was prepared and supported by the professional community.

The justification and rationale for each budget item is also available in last year's testimony.

The first step is adoption of a budget I have presented. The budget I presented last year was supported by the professional community. I think the justification and rationale was provided there also.

The second step is the initiation of specific legislation that would require adequate environmental work force development. It is my understanding that work has begun on an Environmental Health Manpower Act of 1978. It might be possible that this proposed legislation could be broadened to incorporate the needs expressed in this testimony.

[The complete statement and attachments follow:]

ASSOCIATION OF ENVIRONMENTAL ENGINEERING PROFESSORS

DIRECTORS

1976 - 1978	1977 - 1979	1978 - 1980
C. P. Leslie Grady, Jr.	Richard R. Dague	John F. Ferguson
N. Bruce Hanes	John T. Novak	Roger A. Minear
Gerald A. Rohlich	Charles R. O'Melia	Clifford W. Randall

April 13, 1978

Testimony

of

N. Bruce Hanes

for

ASSOCIATION OF ENVIRONMENTAL ENGINEERING PROFESSORS

Subject

ENVIRONMENTAL WORKFORCE DEVELOPMENT

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The United States Environmental Protection Agency's
Academic Program
for
Air Pollution Control
Water Pollution Control
Safe Drinking Water Act

The purpose of this testimony is to make two specific recommendations that would enhance the full implementation of the Federal Laws concerned with protecting the environment of our nation. The first recommendation is to urge Congress to adopt a comprehensive budget measure, for academic training which provides the minimum federal support needed in fiscal year 1979 to meet our Government's responsibilities. (copy of budget in Appendix A). It is apparent from past history, that this recommendation is at best only a stop gap measure as evidenced by the inability of the Environmental Protection Agency and the Office of Management and Budget to meet their responsibility in this area. To correct this chronic problem the second recommendation is that Congress initiate specific legislation that requires adequate environmental workforce development to implement the present Federal Laws.

In 1973, the professional community, concerned with the solution of the nation's environmental problems, was shocked by the Environmental Protection Agency's decision to phase out its academic training programs. It is important to note there was no supporting rationale based on facts for this phase out decision. During the intervening years it has become increasingly apparent that one major problem that has handicapped the environmental effort in this country is the availability of manpower when needed with specialized education to meet the unique requirements necessary to efficiently and effectively respond to the federal laws concerned with protecting the environment of our nation. The professional community has carefully studied the manpower question, prepared numerous reports, traveled to Washington for numerous meetings with officials at all levels in EPA and OMB and finally as a last resort, appealed directly to Congress.

The response of EPA to manpower needs and its responsibilities in this area is puzzling at best. In the FY-77budget cycle EPA requested academic training funds but OMB denied the request. In the FY-78 budget cycle, EPA did not request academic training funds, apparently in deference to what Mr. Quarles (EPA's Deputy Administrator) in his testimony before your sub-committee described as a "strictly held" opinion on the matter in the Office of Management and Budget.

This year, a new President is in office with new directions for the Environmental Protection Agency and the Office of Management and Budget. In a July 19, 1977 letter of Mr. Costle's (copy of letter in Appendix B) he stated: "Since the Agency is in the process of reviewing and considering each issue covered in the NAS Report, we are going to postpone a commitment on our policy

with respect to academic training until all of the recommendations can be considered. I believe that selected opportunities in academic training can be pursued to good advantage". Mr. Costle went on to say "in order to insure that academic training issues get full and reasonable consideration, I have asked the Office of Federal Activities, Education and Manpower staff, to convene a task group to recommend a five year policy in this area by November 1, 1977. This task group will be in contact with you in the next few weeks". To date, nine months later, this task group has not communicated with the professional community in spite of letters and personal visits to the Office of Federal Activities. To the best of our knowledge EPA has not to date prepared a policy in response to the National Academy of Sciences study of Environmental Manpower. If a policy does exist it has not been made available to Congress or the professional community.

The professional community continues to be puzzled by the actions and words of the EPA. It now appears that the EPA continues to ignore both Congress and the professional community on this issue. While Mr. Costle assured the professional community that EPA would postpone a commitment on their policy until the NAS Report on Manpower, which was prepared at the direction of Congress, was evaluated the following definitive actions were taken:

1. No funds were requested for academic training in fiscal year 1979;
2. The number of positions devoted to workforce development in the EPA were reduced by more than fifty percent (51 to 24) in a year after Congress significantly increased the number of positions in the EPA.

Clearly it is not the intention of the EPA to give serious consideration of its statement to the professional community or the NAS Report.

The professional community has noted the past sensitivity of Congress to this issue by its appropriation of more money for professional academic training than was requested by EPA in four of the seven years that the agency has received appropriations. We have also noted the business-like approach of Congress to this problem by directing the National Academy of Sciences to conduct a thorough evaluation of environmental manpowers' needs and supply, and ways of imporving the development of qualified people who enter the field. The report is completed and it indicates that much needs to be done. I have included, for your information in Appendix C a summary of Volume V of the report which is concerned with manpower for environmental pollution control. Ths summary is keyed to specific page numbers to avoid taking specific information out of context.

The need for a comprehensive Workforce Development Program has been clearly established and it is just as clear that only Congress can implement the program. <u>The first step is the adoption of the proposed minimum comprehensive budget in Appendix A.</u> This is the

identical budget budget presented in our testimony last year which was prepared and supported by the professional community. The justification and rationale for each budget item is also available in last years testimony.

IT IS OF UTMOST IMPORTANCE THAT CONGRESS SPECIFICALLY RELATES APPROPRIATIONS TO THE PROPER SECTIONS OF THE ENABLING LEGISLATION TO ASSURE THAT THESE FUNDS ARE USED FOR THEIR INTENDED PURPOSE. Funds appropriated under such broad terms as "academic training" are essentially a blank check and can and have been used in any number of ways.

The second step is the initiation of specific legislation that would require adequate environmental workforce development. It is my understanding that work has begun on an Environmental Health Manpower Act of 1978. It might be possible that this proposed legislation could be broadened to incorporate the needs expressed in this testimony.

Appendix A

Proposed Comprehensive Budget

EPA Academic Training

Fiscal Year 1979

PL 95-95

Air Pollution Control

Section	Purpose	Amount
103(b)(5)	Professional (graduate) Training	1,500,000
	Graduate Fellowship	675,000
	Consortia Support	450,000
	Special Programs	500,000
	Short Term Technical Training	1,500,000
	Workforce Forecasting	500,000
	sub total	$ 5,125,000

PL 92-500

Water Pollution Control

Section	Purpose	Amount
104(g)(3)(A)	Professional (graduate) Training	2,500,000
104(g)(3)(B)	Research Fellowships	1,000,000
104(g)(3)(C)	Direct Training	700,000
109-112	Undergraduate Training	500,000
109-112	Curriculum Development	300,000
104(g)(1)	Operator and Instructor Training	2,000,000
104(g)(2)	Workforce Forecasting	500,000
	sub total	$ 7,500,000

PL 93-523

Safe Drinking Water Act

1442(9)(3)(A)	Professional (graduate) Training	2,000,000
1442(9)9b)(A)	Technical Training	1,000,000
	sub total	$ 3,000,000

Title 42, U.S. Code, Section 2021 (h);
Title 42, U.S. Code, Section 20231*;

Environmental Radiation Control

Professional (graduate) Training	1,300,000
Special Programs	200,000
Short Term Technical Training	450,000
Environmental Radiation Manpower Development, Planning and Assessment	50,000
sub total	$ 2,000,000

Total EPA Training Needs $17,625,000

Appendix B

July 19, 1977 Letter of Douglas M. Costle



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUL 19 1977

THE ADMINISTRATOR

N. Bruce Hanes, Ph.D., P.E.
Chairman
Department of Civil Engineering
Tufts University
Medford, Massachusetts 02155

Dear Dr. Hanes:

Thank you for your inquiry of May 27, 1977, on behalf of the professional community in environmental engineering. That letter, as well as your earlier correspondence on academic training, has outlined a number of issues related to our policy in this area.

In considering whether or not to continue the reduced level of academic training, there are a number of points to be reviewed. The most significant point to be made is whether the original intent of the legislation to start and to expand academic departments has been achieved. In the recently published report of the National Academy of Sciences (NAS), Manpower for Environmental Pollution Control, a great many of the issues are covered. However, comments and recommendations can be found in the report which are both for and against continued academic training. For example:

- "Examination of degree projections over the next decade reveals that the education system will produce enough scientists and engineers overall to meet the nation's requirements. At the same time, more good quality supplemental pollution control education will be needed. Major sources of training for operators and technicians are expected to produce an adequate number of workers in these categories, although the quality of training is expected to vary considerably." (p. 13)

- "To assure that there will be available professional, technical, and operational personnel needed ..., it is recommended that the Federal government encourage and financially support substantially increased academic and other personnel training programs without further delay." (p. 383)

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Since the Agency is in the process of reviewing and considering each issue covered in the NAS report, we are going to postpone a commitment on our policy with respect to academic training until all of the recommendations can be considered. I believe that selected opportunities in academic training can be pursued to good advantage.

In order to insure that academic training issues get full and reasonable consideration, I have asked the Office of Federal Activities, Education and Manpower Staff, to convene a task group to recommend a five year policy in this area by November 1, 1977. This task group will be in contact with you in the next few weeks.

Meanwhile, the outlook for FY'78 is that approximately $3 million will be added to the EPA appropriation for academic training. If the funds are allocated, we will continue to use the resources for professional and undergraduate training grants. The fellowships program, which has been reoriented to address the needs of the State and local environmental agencies, will also be extended with the add-on funds.

Your interest and concern on behalf of environmental learning is greatly appreciated. I fully comprehend the fact that without the programs of you, your colleagues, and the Association of Environmental Engineering Professors, that there would be much less accomplished in the preparation of highly skilled individuals. We intend to assist those programs to the greatest extent possible.

Sincerely yours,

Douglas M. Costle

Appendix C

Summary of Report

MANPOWER FOR ENVIRONMENTAL POLLUTION CONTROL

(Vol. V)

by

NATIONAL ACADEMY OF SCIENCES

1. The nature of environmental legislation necessitates support by the federal government of pollution control manpower activity. p. 19-20

2. As a whole, legislation indicates the intent of Congress for EPA to take the lead in assuring adequate supplies of qualified manpower. p. 21-24

3. Although the major "wave" of capital spending for pollution control will come in the 1975-'85 period, continuing need will exist for trained manpower because of needs for updating technology, maintenance and operation of facilities, meeting new challenges, and maintaining past gains. p.25

4. Needs for the number and kind of pollution control manpower change rapidly and frequently. Local and state government personnel systems respond slowly to change. National leadership is needed to avoid manpower problems, through advance planning. p. 29

5. Interruption of operation of wastewater treatment plants cause harm to the environment. Work stoppages and physical factors cause interruption of operations which take time to realign. EPA, and eventually Congress, should act to prevent interruption. p. 30-31.

6. Industry has prime responsibility for development of the pollution control personnel it needs but, because government strongly influences industry needs, government could well prepare and publish manpower needs assessment information for industry's use. Government can better predict its future program requirements on industry. p.35

8. EPA personnel are relatively well paid - better than industry and state and local government. Educational level of EPA employees is high in terms of degrees held. p.38

9. EPA has no centralized leadership for manpower planning, training and education. The existing weak program is at a markedly subsidiary level in the organization. Its staffing is inadequate. p. 46, also p. 48.

10. State and local governments often have trouble competing with the federal government and industry for hiring skilled manpower. p. 46

11. EPA funding of university programs for training environmental manpower has been cut back in recent years and universities are concerned about their ability to train environmental manpower. p.47

12. There have been crippling reductions in air pollution short course training. p.47

13. EPA should have a manpower analysis and planning program to ensure that the right numbers of people receive the right kind of training. p. 48

14. EPA should support training only when there is a need for support and in cases where other sources of supply of manpower are inadequate. Good planning and analysis is needed to do this. p. 48-49

15. Academic training grants have been an important part of the EPA manpower program. Congress recognized the importance of these grants and appropriated funds for them despite "the Administrations" decision to phase them out. p.49

16. Interagency agreements with USOE of USDHEW and the Department of Labor seems to be a feasible approach for vocational training EPA wants done. p.50

17. The USOE of USDHEW might well "handle" academic training grants and fellowships for EPA. EPA should consider this possibility. p. 50

18. Efforts to strengthen the manpower aspects of pollution control are desirable. p. 50

19. An NSF survey indicates that there are about 15,500 scientists and engineers in the Federal government outside of EPA who devote a "significant" portion of their time to environmental concerns. However, "significant" is not clearly defined and the qualifications of these personnel for the environmental work they do is not reported. p. 58

20. Industry often assigns pollution control tasks on a rotating or part-time basis. Thus, many people may need specialized skills even though they are only used a few hours per week. p. 69

21 Only about 1000 professionals in educational institutions receive EPA support for R/D activities. p. 78

22. About 15,000 scientists and engineers work on pollution control for local government. However, only about 8000 scientists and engineers meet the minimal degree requirements and other criteria. Thus, it is possible that substantial numbers of local government agency personnel may not have entirely appropriate educational backgrounds and require additional training. p. 87

23. "In the absence of any major policy shifts, it is expected that EPA and other federal pollution control employment will remain at about its present size and funding level through the next decade." p. 90

24. "The leveling of demand from 1980 to 1985 assumes that there will be no change in future federal legislation that add significant new programs". p. 92

25. Although the present demand for environmental manpower in industry is related to design, fabrication and installation of new control equipment, the future need for operation and maintenance of control equipment substitution of less pollution-prone processes and response to new regulations, products, technology and processes will likely keep the 1985 industry pollution workforce at about the same level as 1974. p. 98-99

26. Even though projections do not show major growth in environmental workforce through 1985 there are many serious and unresolved issues in the workforce area. p. 103

27. Some 135,000 scientists and engineers work in the environmental field. p. 104

28. "Requirements for pollution control manpower have been met primarily through employment of people from other fields and from a variety of educational and training backgrounds". This will likely continue.

"It appears that the education system can produce, without special stimulation enough science and engineering graduates overall to meet the nation's requirements, including those for pollution control".

"The primary manpower problems facing pollution control planners are: how to plan and provide for the unique requirements for selected pollution control jobs; how to upgrade the quality of training for those who require it; and how to provide training to upgrade or reorient skills of people who already work at pollution control. Such training includes direct and specific instruction on pollution control operators and on pollution control management". p. 104-105

28. "Thus the magnitude of supply is only part of the environmental manpower problem. Of major concern are the quality and efficiency and the long-run cost effectiveness of manpower employed in the environmental program. There is no evidence one way or the other that positions in pollution control programs are or will be filled by people who are fully qualified and prepared for their responsibilities. p.107

29. Cooperative educational arrangements between schools and employers offer many benefits for development of pollution control workers. p. 108

30. Curriculum development is an appropriate activity for EPA and it should expand its work in this field. p. 110

31. Publicly supported research should explicitly include provision for training of new workers. EPA has not done so and should, as soon as possible. p. 110

32. EPA should consider allocating its R/D financial support to schools which also conduct training so as to create high quality centers of research and learning. p.112

33. EPA people are generally well paid and overall are well educated in terms of number of degrees held. p. 120

34. "EPA, by any measure, has paid little attention to the personnel requirements associated with the large regulatory programs it tries to implement." No short or long-term studies have been made publicly available. Personnel development is a critical feature of agency implementation of statutory authority. Reforms must be initiated or response to societal problems will continue to be inadequate. p. 150

35. Termination of academic training grants could undermine equal employment opportunitiy efforts for development of skilled professionals among minorities for environmental work. p. 172

36. OMB plays a critical role in EPA manpower development activities since Congress has given EPA considerable discretion in the matter. the OMB role must be evaluated to ensure EPA and OMB accountability to the public. p. 173

37. Congress should amend legislation as needed to ensure that EPA will pursue vigorous manpower development policies as an affirmative duty, since such are essential to achievement of objectives. p. 173

38. EPA should improve its review of the manpower features of state programs. p. 174

39. Personnel development in EPA has been inadequately considered by Congress; inadequately prescribed in legislation; subject to fund limiting criteria applied by OMB and treated as a low priority issue by EPA. Reforms should be initiated since legislative initiations are generally dependent on manpower for adequate implementation. p. 174

40. The most serious pollution control manpower problems are at the professional and technical levels.

    It is not sufficient to compare number of workers with demand for workers. We must also know that there will be an adequate supply of highly-trained people for specific activities. P. 207-208

41. Of 10,700 engineers doing sanitary engineering work, only 542 reported their field of study as environmental or sanitary engineering. Historically, 95% of the nation's sanitary engineers hold degrees in other fields. This fact suggests the importance of continuing education to update the skills of these people. p. 229

41. Of 15,000 self identified environmental engineers, no more than 3,500 have either a graduate of undergraduate degree in environmental engineering. Many professionals in environmental agencies are upgrading their skills through part-time advanced level study. p. 231

42. In the future, undergraduate programs may make a substantial contribution to environmental manpower. p.231

43. EPA should give highest priority to collaborative efforts to improve the quality of environmental workers. p. 241

44. Significant needs for training over the next decade will be in continuing education for people working in the environemntal p. 241

45. Cooperative education internship etc., improve the pverall education for entry level positions should be supported only where employers and schools collaborate. p. 242

46. EPA's efforts in manpower assessment planning and forcasting are far less than needed. The agency should establish a manpower and education planning program and collaborate with others and use advisory groups. Top level leadership has been lacking. p. 242

47. EPA should have a human resource planning program and educational and training program. p. 242

48. An interagency coordinating committee on environmental manpower and training should be set up in the Federal Government. p.242

49. EPA should develop and use mnapower models and help state and local agencies do so also. A manpower component should be included in economic planning models used by EPA. p. 244.

50. Although manpower and educational planning are uncertain processes, decisions made with projections are better than those made without them. p. 253

51. The complex relationships among federal, state and local government virtually forces decentralization of manpower projections. p. 260

52. Adequate manpower in some specialties is often lacking. p. 283

53. Had it not been for earlier training efforts by the USPHS of USDHEW and EPA, there would be a shortage of environmental manpower today. p.283

54. Estimates of EPA's budget through 1980 provided by OMB indicate no increase and probably some decline. Thus, the numbers of staff is unlikely to increase, but numbers in specific categories may change. p. 289

55. At a time when needs for trained technicians are increasing federal financial support for training has declined. p. 230

56. Educational programs can't be turned off and on. It takes time to develop a quality educational program. p. 230

57. Generalized education in broad environmental subjects can survive without federal aid but they don't provide the needed background to permit the student to later contribute significanlty. Comprehensive substantive eeucational programs require federal subsidy in one form or another to educational institutions or students. p.320

58. There is grave concern that educational programs supported by EPA in the past and for which EPA support is declining are not being replaced by support by any other entity. p. 325

59. It is not realistic to assume that training of needed environmental manpower will occur without financial support from the federal government. p. 326

60. EPA should provide more encouragement to professional people to enter the environmental field and assume leadership in supplying required manpower. p. 326

61. EPA should develop and implement a comprehensive environmental manpower development policy and program. p. 326

62. Elimination of funds for manpower training is detrimental to achievement of EPA's environmental aims. p. 327

63. Congress has not given adequate attention to manpower required to achieve its legislated environmental goals. It should do so. p. 327

64. EPA should improve its communication with Congress on technical and manpower considerations in affecting environmental improvements. p. 328

65. Manpower activities in EPA are relegated to a low priority. Program managers responsible for manpower in EPA should be at a high level in EPA or a chief administrator should be appointed for manpower. p. 328

66. There will be large increases in employment for wastewater treatment between now and 1985. p. 348

67. New employees in the expanding water supply program will require highly specialized training. p. 357

68. Personnel with required basic education will be available in sufficient numbers to meet air pollution program needs. The problem is to provide training to develop and maintain diverse specialized skills to supplement the basic training offered by universities. p. 371-373

69. Special air pollution training can most effectively meet the need for training in new program elements and greatly shorten the period it takes new employees to become fully effective. p. 373

70. OMB has said grants to states and market forces make federal training grants unnecessary. NAS panel does not agree and believes that provision of federal funds for specialized training are wise and cost effective. p. 374

71. State and local air pollution agency personnel need specialized training to achieve effectiveness but such training has become less available because of budget cuts in EPA and imposition of user fees. Adequate training must be provided to optimize use of monetary and human resources in implementing the clean air act. p. 374-375

72. Existing educational institutions are adequate to provide pre-job-entry training needs but full professional training of various scientists and engineers requires instruction beyond the standard four year university curriculum. p. 377

73. Success in implementing recent Federal environmental legislation will depend on availability of specialized highly trained and competent manpower. p. 382

74. Supply of air pollution control manpower is not constrained by lack of people with needed basic education but is affected by the need for additional specialized training. p. 382

75. The federal government should encourage and financially support substantially increased academic and other training without delay. p. 383

76. Congress and the administration should address training needs to assure that manpower development and training program are consistent with legislative environmental mandates. p. 383

77. In 1969, industry indicated that it needed personnel with good basic education and that needed added skills would be secured by on-the-job training, practice, post-job study and attendance at meetings. p. 409

78. Industry and the private sector will need substantial numbers of professional and technical people with specialized knowledge p. 427 also p. 432

79. Professionals in the private sector should attend training courses periodically. About 150,000 man-weeks of training per year through 1985 is needed. p. 431

80. Private sector manpower and training needs should be assessed and required education and training programs should be provided. -. 438-439

Dr. HANES. In summary, I think this has been the best day for me in a long time. Dr. Cortese, who testified early this morning, was what made this day special for me.

Tony is one of my students. He's a product of the training program that we fought so hard to maintain. I think he's an example of how it's worked so well in the fact that you have this well-trained person who is now working in a state agency with a responsible position. That is really what the ball game is all about.

Mr. TRAXLER. He certainly was impressive, and technically very knowledgeable. We are most impressed with him.

You are to be congratulated.

Larry.

Mr. COUGHLIN. No questions. A fine statement. We appreciate it. If Mr. Cortese was one of your products, you did an excellent job.

Dr. HANES. That made my day.

If there is anything I can add, I will be happy to.

Mr. TRAXLER. Let's hope we don't see you next year.

Dr. HANES. My wife is beginning to get suspicious of these trips to Washington. Thank you.

NSF–ASRA

WITNESS

DR. HARRY PARS, PRESIDENT, SISA, INC.

NSF–SMALL BUSINESS

Mr. TRAXLER. Dr. Harry Pars, President of SISA.

Dr. PARS. I appreciate the opportunity to meet with the Subcommittee on a subject that concerns us all. I have submitted a statement that I would like to revise and read. It's a short statement. I can emphasize the changes. I will resubmit the testimony if that's all right with the Subcommittee.

Mr. TRAXLER. Please do. We would like that.

Dr. PARS. This is a statement in support of small business in applied science.

Perhaps I should introduce myself. I probably am not known to the Committee. I am a scientist and a businessman. I am from Massachusetts. I think that might be sufficient to give you some change in the pace of today's discussions, anyway.

We are talking about the National Science Foundation and small business and applied science, and the role of new technical enterprises in our economy.

Let me read this.

Our country is in dire need of new jobs, new industries and economic growth. New science and technology is one place to look for some help. However, in the U.S. today, the attitude and environment for the development of new, science-oriented business is in a state of benign neglect.

The community of scientists in business, particularly those in small business, do not have the economic or political muscle to help themselves. They need help from the United States Government. They could get it from the National Science Foundation.

An unusually high number of innovations, new technology, and new products are discovered in small, often new, enterprises. I refer you to a report on "The Role of New Technical Enterprises in the U.S. Economy." This is a report that was submitted on January 1976 to the Secretary of Commerce, and written by the Commerce Technical Advisory Board.

That report shows that during the five-year period 1969 to 1974, young, high-technology companies clearly outpaced the job and overall growth rates of more mature and much larger companies by some five- to tenfold. For example, six mature companies with combined sales of $36 billion in 1974 showed a net gain in jobs barely equal to five, young, high-technology companies with combined sales of less than $1 billion. That is a 40-to-1 ratio.

In spite of that, those companies created 35,000 jobs as opposed to 25,000 jobs by the mature companies.

Let me go on. There are numerous studies over the past 10 or 15 years which give the same message: The place to look for the creation of new opportunities, new industries and new jobs is toward science-oriented small business. Unfortunately, however, the problem today is that that environment for small business has deteriorated. I reference and point your attention to a talk given by Richard S. Morse. It will be published by the National Academy of Engineering next month. It is called "The Changing Environment for Innovation."

I heard him give this talk on March 30th in Boston. He's a senior lecturer at the Sloan School of Management at M.I.T.

He says that the environment for small businesses, particularly science-oriented businesses—which the Commerce Department says is creating more new jobs than forty-fold larger, mature companies—is deteriorating.

What should the government do? What can the National Science Foundation do? The government should start, right now—no more studies. They point to the same thing. They are scientific, factual. They should start right now giving at least as much attention to small business as they do to big business.

The Small Business Administration could do this, but their traditional role has been solely to loan money to retailers and manufacturers. The Commerce Department could do it, but their emphasis has been to support big business. Big business could do it, but their efforts today are primarily directed towards maintaining their position in a mature and increasingly international and mature economy.

The traditional role of the National Science Foundation has been to support basic, not applied, research, and primarily in universities. As graduates—and my colleagues feel the same way around the country—as a graduate of the basic research and scientific community of this country, it is fair to say that most applied scientists would and do support the National Science Foundation in its traditional role of sponsoring basic research in the university.

However, the NSF could—and I might add should—also support topflight scientists in small businesses for the express purpose of stimulating new ideas, new products, new industries and new jobs, which the Commerce Department shows would happen.

There is no better agency in our government today than the NSF to facilitate the interface between basic research and applied science, and between government and small business.

I think you gentlemen may know the National Science Foundation indeed has the personnel, the facilities, and they certainly have the historical perspective to fill this role. What the National Science Foundation needs is the specific authorization to do so, because—and this is really why I am here—it has only been through the efforts of Congress that a truly creative, applied research science program was started at the National Science Foundation.

I would just like to end this by saying I therefore strongly support the National Science Foundation's Small Business Innovation Program, and urge members of the National Science Foundation Board to bring this message back to the Foundation as a policy recommendation.

This program should be made a line item with its own funding in fiscal 1979.

Mr. TRAXLER. Thank you, Doctor.

[The complete statement follows:]

A STATEMENT IN SUPPORT OF SMALL BUSINESS AND APPLIED SCIENCE AT THE NATIONAL SCIENCE FOUNDATION

THE ROLE OF NEW TECHNICAL ENTERPRISES IN OUR ECONOMY

Our country is in dire need of new jobs, new industries and economic growth. New science and technology is one place to look for some help. However, in the U.S. today, the attitude and environment for the development of new, science-oriented business is in a state of benign neglect. The community of scientists in business, particularly those in small business, do not have the economic or political muscle to help themselves. They need help from the United States Government. They could get it from the National Science Foundation.

An unusually high number of innovation, new technology, and new products are discovered in small, often new, enterprises. A report on The Role of New Technical Enterprises in the U.S. Economy[1] shows that during the five year period 1969 to 1974, young, high-technology companies clearly outpaced the job and overall growth rates of more mature and much larger companies by 5 to 10 fold. For example, six mature companies with combined sales of 36 billion dollars in 1974 showed a net gain in jobs barely equal to five, young, high-technology companies with combined sales of only 0.8 billion dollars.

[1]A report of the Commerce Technical Advisory Board to the Secretary of Commerce, January, 1976.

There are numerous other studies over the past 10 or 15 years which give the same message: The place to look for the creation of new opportunities, new industries and new jobs is toward science-oriented small business. Unfortunately, however, the problem today is that the environment for small business has deteriorated.[2]

What should the government do? What can the National Science Foundation do? The government should start, right now, giving at least as much attention to small business as they do to big business. The Small Business Administration could do this, but their traditional role has been solely to guarantee loans to retailers and manufacturers. The Commerce Department could to it, but their emphasis has been to support big business. Big business could do it, but their efforts today are primarily directed towards maintaining their position in a mature and increasingly internationally competitive economy.

The traditional role of the National Science Foundation has been to support basic, not applied research, and primarily in universities. As graduates of the basic research and scientific community of this country, it is fair to say that most applied scientists would and do support the National Science Foundation in its traditional role of

[2]See The Changing Environment for Innovation, a talk presented by Richard S. Morse, Senior Lecturer, Sloan School of Management, M.I.T. (retired), before the Research Management Association, Cambridge, Mass., March 30, 1978. To be published by the National Academy of Engineering in April, 1978.

sponsoring basic research in the university. However, the NSF could also support top flight scientists in small businesses for the express purpose of stimulating new ideas, new products, new industries and new jobs. There is no better agency in our government today than the NSF to facilitate the interface between basic research and applied science, and between government and small business. The National Science Foundation has the personnel, the facilities and the historical perspective to fill this role. What the NSF needs is the specific authorization to do so, because it has only been through the efforts of Congress that a truly creative applied science program was started at NSF.

The National Science Foundation has moved cautiously in pioneering this initially successful, Small Business Innovation Program. However, it was the intent of Congress last year that two solicitations, involving two Phases each, be made in fiscal 1978. It was also Congress' intent that three or four solicitations per year be made for the next two fiscal years. Instead, for fiscal 1978 there has been only one solicitation, with only Phase I completed to date. Thus, forty-two Phase I awards were given to small businesses in the U.S., and the Phase II follow-on portion of this first solicitation is now being processed. The second Phase I/Phase II solicitation has yet to be initiated.

Because of the importance of this effort I strongly urge members of this subcommittee to consider making the fiscal 1979 program a line item with its own funding. Since the NSF has moved slowly with the new program, it would be unrealistic to expect that last year's congressional goal of three or four solicitations for 1979 (at a cost of approximately 24 million dollars) could be met. A more realistic budget for fiscal 1979 would be two or three solicitations amounting to 12 or 18 million dollars. However, if NSF can demonstrate that they can gear up properly, perhaps as many as three or four solicitations could be made and properly administered. In any case, a specific line item for fiscal 1979 would ensure the intent of Congressional action of last year.

I should like to summarize this statement by reiterating the importance of this program to small science-oriented businesses across the land, and the significant effect this program will have on basic research and applied science.

Thank you for your patience and counsel.

Harry G. Pars, Ph.D.

Mr. TRAXLER. As you pointed out, the 1979 NSF authorization bill requires 10 percent of the RANN moneys to be spent in the small business area.

While NSF isn't enthusiastic about the earmarking of their funds, it is my understanding they have met that 12.5 percent quota.

I would imagine when their authorization bill comes before us again this year that that provision will be included in it. I would be most surprised if it is not.

If it is not, it will probably be added on the floor. We will do our part.

Dr. PARS. I think that's right. I think your figures are correct, although I don't have those figures in front of me.

What I understand about that is that this 12.5 percent figure, if you go from 1975 through 1979, is an increasing percentage on a decreasing dollar.

Mr. TRAXLER. Thank you.

Larry?

Mr. COUGHLIN. Thank you very much.

What is the Small Business Program under the National Science Foundation? I probably should know, but I don't.

Dr. PARS. It is one of the most exciting programs to come along, I think, in the government in years.

Mr. COUGHLIN. What does it do?

Dr. PARS. It facilitates, it supports, it funds small businesses to develop new science and new technology for the purpose of coming up with new products later on.

You see, one of the problems in this country, as you know, has been that there has been such a great deal of funding in basic research without the follow-through that basic research, science, has been left behind insofar as new products and applied science is concerned.

What the National Science Foundation has tried to do with that Small Business Innovation Program is to catalyze the interface between basic research and applied research. That is what that program does.

Mr. COUGHLIN. Thank you very much. I have no further questions. I appreciate your coming here and we appreciate your patience as we dash in and out trying to answer votes.

Thank you very much indeed.

Dr. PARS. Thank you very much.

CAMDEN VA HOSPITAL

WITNESSES

HARVEY JOHNSON, BLACK PEOPLES' UNITY MOVEMENT

Mr. COUGHLIN. The final witness is Mr. Harvey Johnson of the Black People's Unity Movement.

Welcome to the Committee. I believe you have a prepared statement which will be inserted in the record which you might want to summarize or proceed as you see fit.

Mr. JOHNSON. I would briefly like to summarize the prepared statement and first indicate that I appreciate the opportunity to testify

before the House Appropriations Committee on HUD and Independent Agencies.

I am Harvey Johnson, Executive Director of the BPUM Economic Development Corporation which is a self-help organization seeking to alleviate poverty in Camden, New Jersey through the employment of community residents in business enterprises.

I am here today as a representative of Camden, New Jersey's minority and impoverished community requesting that this Committee support the necessary funds to restore to the budget the construction of the proposed $75 million Veterans Administration Hospital Complex in Camden, New Jersey.

In fiscal 1979's budget this only requires a confirmation of $7,500,000 which has already been appropriated to the Veterans Administration.

On May 11, 1976, after 15 years of demonstrated need, a $200,000 site study, and bipartisan efforts by local, state, and federal leaders, President Ford approved the construction of a 480-bed Veterans Administration Hospital in Camden, New Jersey.

The need and site of this facility has been scrupulously studied by the Veterans Administration. City and state investment in the project totals millions of dollars, with more funds ready to go in the pipeline.

Yet the Administration has now decided that this facility will not be built.

I urge your close review of the merits and capabilities of the Camden facility, and of the services this hospital would provide to veterans in the Greater Delaware River Valley area.

I urge that the Subcommittee reject a request from the Administration that would reprogram moneys already committed to Camden.

I also urge the Subcommittee to closely scrutinize the $25.6 million requested in the fiscal year 1979 budget for a 120-bed Philadelphia nursing home, an adjacent 1000-car parking garage, as well as an outpatient clinic in Camden which were requested in lieu of the hospital.

These projects had never been previously recommended by the Veterans Administration as alternatives to the Camden Hospital.

The primary reason to construct the full VA Hospital is to provide needed care for Delaware Valley and Southern New Jersey veterans. The national average is 3.2 beds per 1000 veterans. In our region the current ratio is only 0.7 beds per 1000 veterans. The new hospital—480 beds—would have narrowed this disparity.

Review of the individual components of the VA Hospital demonstrates that the only area of dispute between the Administration and the supporters of the hospital is the provision of 260 acute care, medical/surgical beds.

The need for these beds has been the consistent policy of the Veterans Administration, as evidence by their 1974 and 1976 studies, and their recent 1977 Congressional testimony.

A sensitive and comprehensive review reveals a continued need for these beds and the complete $75 million VA Hospital.

A secondary reason and a result is the jobs created by the VA Hospital.

I understand the jurisdiction of this Committee is strictly health care needs as it relates to veterans. At the same time, as a person who speaks for the minority community, I must emphasize to you that given the fact that we feel the health care requirements are met by the proposed $75 million hospital, it is public policy that Congress should take a very clear look at can we get something extra. That extra being the ability to revitalize a city such as Camden.

Quite often the minority community is accused of being unmotivated, et cetera. Our people have worked together in a coalition with the City of Camden, business people from Philadelphia who testified before this Committee, medical societies, et cetera, in a revitalization program that would turn that city around and not cost additional federal dollars to either welfare, CETA or other programs.

Again, my concern is first that the veterans' medical care and needs be satisfied; and, secondly, as a corollary of that, that the needed jobs in Camden be provided.

We feel that again both of these things can be accomplished if these moneys were reprogrammed back into the Camden community.

In summary, I would say that we feel a commitment has been made to Camden; a commitment made in 1972 initially, and then again by President Ford.

Camden and the community relied upon the commitment and proceeded forward; not only the Camden community which through a process removed people from houses there in the community, but the people went along with that. I think it is awfully important that we understand that when blacks, whites, and others in a community work together in pursuit of a federal policy, that is a rare thing, I think, within this country in terms of many of our cities.

Yet it is happening in Camden. It has happened in such a fashion that everyone was working toward the VA Cooper Hospital complex; not in their own selfish interests, but first so that primary and good care could be provided both by the VA Hospital and the Cooper Hospital through its recent additions, as well as the South Jersey Medical College which is being constructed there in Camden.

Again, I just feel that those two items are primary in my mind and that that kind of coalition ought to be promoted within this country so that we can both rebuild our cities and take care of the needs of our veterans.

[The complete statement follows:]

Mr. Chairman, members of the committee, I appreciate this opportunity to testify before the House Appropriations Subcommittee On HUD and Independent Agencies.

My name is Harvey C. Johnson. I am the Executive Director of the B.P.U.M. - Economic Development Corporation which is a self-help organization seeking to alleviate poverty in Camden, New Jersey through the employment of community residents in business enterprises.

I am here today as a representative of Camden, New Jersey's minority and impoverished community requesting that this committee support the necessary funds to restore to the budget the construction of the proposed $75,000,000 Veterans Administration Hospital Complex in Camden, New Jersey. In Fiscal 1979's budget this only requires a confirmation of $7,500,000 which has already been appropriated to the Veteran's Administration.

On May 11, 1976, after 15 years of demonstrated need, a $200,000 site study,and bi-partisan efforts by local, State and Federal leaders, President Ford approved the construction of a 480 bed Veterans Administration hospital in Camden, New JErsey.

The need and site of this facility has been scrupulously studied by the Veterans Administration. Already $7.5 million has been appropriated by the Congress for the Camden facility for preliminary design and engineering work. City and State investment in the project totals millions of dollars, with more funds ready to go in the pipeline.

Yet President Carter has now decided that this facility will not be built. I urge your close review of the merits and capabilities of the Camden facility, and of the services this hospital would provide to veterans in the Greater Delaware River Valley area. I urge that

the Subcommittee reject a request from the Administration that would re-program monies already committed to Camden. I also urge the Subcommittee to closely scrutinize the $25.6 million requested in the F.Y. 1979 budget for a 120 bed Philadelphia nursing home, an adjacent 1000 car parking garage, as well as an outpatient clinic in Camden which were requested in lieu of the hospital. These projects had never been previously recommended by the Veterans Administration as alternatives to the Camden hospital.

The Camden hospital needs no new funding during fiscal year 1979 to keep its development schedule on time. The schedule had called for requesting construction funds for the hospital in fiscal year 1980 with construction to be completed in 1983. Language in the Committee's report, reaffirming the commitment of the Congress to the construction of the Camden facility, and specifically prohibiting the reprogramming of the $7.5 million already appropriated, however may be desirable at this time.

During the past five years a monumental effort by a coalition comprised of government at all levels, business and industry and private citizens generated in Camden a vitality and enthusiasm which hadn't been seen in three decades. The Cooper Medical Center Complex including the VA Hospital became the heart of a four-point program to revitalize and restore Camden and remove it from the rolls as the Nation's 9th most distressed city. The $75 million appropriation for the VA Hospital represented the largest single investment in the $265.5 million Camden Renewal Plan.

Previously submitted to the committee was a comprehensive document published by the South Jersey Medical Center in February 1978, detailing every aspect of the planning and support for the VA Hospital on behalf of the 700,000 veterans and their families.

The primary reason to construct the full VA Hospital is to provide needed care for Delaware Valley and Southern New Jersey veterans. The national average is 3.2 beds per 1,000 veterans, in our region the current ratio is only 0.7 beds per 1,000 veterans. The new hospital (480 beds) would have narrowed this disparity.

Review of the individual components of the Camden VA Hospital demonstrates that the only area of dispute between the Administration and the supporters of the hospital is the provision of 260 acute care, medical/surgical beds. The need for these beds has been the consistent policy of the Veterans Administration, as evidenced by their 1974 and 1976 studies, and their recent 1977 Congressional testimony. A sensitive and comprehensive view reveals a continued need for these beds and the complete $75 million VA Hospital.

All of the other components of the VA Hospital are admittedly needed and planned to be built in the region. The 120 bed nursing home, the outpatient clinic and the parking garage, all are still planned; but, the nursing home and garage are part of the January 20, 1978 decision, and are now allocated to Philadelphia. The 60 psychiatric beds are now allocated to Coatsville, Pa., an outmoded facility, almost totally inaccessible to area veterans. The 40 bed intermediate care unit is clearly needed in a reprogrammed long-term care use, but has been dropped without comment.

Veteran's needs are not the parochial position of the City of Camden. The need for the VA Hospital has been consistently supported and reaffirmed in recent days by the New Jersey Legislature, the New Jersey Health System Agency, the Camden County Medical Society, every regional and state veterans group and, of course, the Governor and New Jersey Congressional delegation. Popular support is evidenced by editorials in the Philadelphia Bulletin, Inquirer, the Camden Courier-Post, KYW-TV and Radio, WCAU-TV, and thousands of telephone calls, letters and telegrams.

The reasons are clear; the Federal government has made a moral commitment and should honor it; the VA Hospital is a critical element of a severely depressed city's revitalization strategy; the hospital is the crucial link in the development of a needed regional health service system; and finally, the veterans of our region need this hospital to provide the first-rate care for them in the years ahead.

A secondary reason and a result of the VA Hospital is jobs. As minorities we are concerned about the loss of these approximately 1,100 jobs, a substantial portion of which will be held by minorities and persons now impoverished.

Through the construction of this VA Hospital and the employment of 1,100 persons, we can stimulate self-development and give the people of Camden a vision.

As the core project the VA Hospital has been the focal point around which the entire Camden community has united. We have concentrated on rebuilding, putting people to work, creating new values

and attitudes. We, the citizens of Camden have a blue print, but we need your committee to restore funding to the Camden VA Hospital.

If the Administration's decision to cut back on the Camden VA Hospital is not reversed, it can only lead to little confidence in either the promises, the expressed plans or the wisdom of the federal government. If the hopes and plans of states, communities and thousands of citizens, and the expressed word of officials of the federal government--are to be dashed suddenly and without warning then this nation faces as bleak an outlook as those acres of demolished, devastated land in Camden, New Jersey.

The Board of Directors of B.P.U.M. - Economic Development Corporation considers the need for the $75,000,000 in VA Hospital in Camden, New Jersey critical to:

1. The medical care needs of veterans now and in the foreseeable future.
2. The health care capabilities for the Delaware Valley.
3. The economic recovery and growth of the City of Camden.

We thank you for the opportunity to testify at these hearings.

Mr. COUGHLIN. Thank you for a fine statement and for taking the time to come down and testify before this Committee.

We have had, in addition to your excellent testimony, other testimony on the subject which has also been very good and very, very helpful to this Committee.

I am sure in the course of sitting here today you have noticed that we have a number of Veterans Hospital problems, some of which I might add have been before us for some time.

We appreciate what you are doing here.

HUD

STATEMENT OF THE COUNCIL OF STATE COMMUNITY AFFAIRS AGENCIES

Mr. BOLAND. The Council of State Community Affairs Agencies has submitted the following statement regarding HUD for the record.

[The statement follows:]

COSCAA Council of State Community Affairs Agencies
Hall of the States • 444 North Capitol Street • Washington, D.C. 20001 • (202) 624-5850

JOSEPH S. MARINICH
Executive Director

Testimony Prepared for Delivery by:

The Council of State Community Affairs Agencies

Before the

Subcommittee on HUD-Independent Agencies
House Committee on Appropriations

Mr. Chairman, this testimony is presented on behalf of the Council of State Community Affairs Agencies (COSCAA).

COSCAA is the national organization representing the State executive branch agencies responsible for a variety of local assistance functions in housing, community development, economic development, planning, training, and technical assistance. These agencies are commonly called "Departments of Community Affairs" or "DCAs;" almost all States now have a cabinet-level department or major agency responsible for these local assistance functions.

I am submitting a table as an appendix which shows totals for the functions, staff capacities and budgets of the community affairs agencies in 47 States. The following selective data on DCA staff reflects our interest in the appropriations for the Department of Housing and Urban Development:

DCA budgets total over $1.0 billion;

510 staff provide housing assistance (this does not count State HFAs);

542 staff are directly involved in economic and community development; and,

405 staff provide local and regional planning assistance.

Mr. Chairman, we feel that the Administration's request for 400,000 units of low-income housing units needs your support; even this level is modest given the severe need. While there are questions about the effectiveness and cost of the Section 8 program, we need to recognize that it is our most important tool at this time for metting our nation's housing needs. While we had criticisms of the program in past years, its start-up problems have been

largely resolved.

I wish to emphasize that a major reason for the success of Section 8 has been the contribution made by the States' Housing Finance Agencies in cooperation with the DCAs. Together, these state agencies got units through the pipeline to where they were needed.

The States' roles in housing are not limited to the Federal programs. Many States have established their own programs to provide housing for low- and moderate-income citizens. For example, Massachusetts has built over 40,000 units, and Utah has a multi-million dollar grant program to provide low-income housing. I will refer to other examples later.

I would like to turn now to the request for Section 312 rehabilitation funds. Mr. Chairman, Section 312 has been one of the most successful Federal programs in housing. This has been due not only to the program's design, but also to the fact that rehabilitation is a practical and feasible approach to meeting housing needs. We are pleased that the Administration has requested an increase to $95 million for 312, and that the President's Urban Policy calls for an additional $150 million; we encourage your support for at least these levels.

States have responded to the great need for rehabilitation, and have recognized the advantages of these programs given the cost of new housing. Many States have responded with either direct funding for rehab or programs to assist communities in their rehab efforts. For example, Minnesota has had for several years, a rehabilitation program providing over $40 million a year in

grants and loans; the Wisconsin legislature just approved a new program providing over $35 million for rehabilitation -- the program was one of Governor Schriber's priority bills, and States such as Michigan, Maryland, and Florida have developed rehabilitation programs.

However, a significant concern of the States with Section 312 is that States are not eligible to administer the program; eligibility for the States would allow for applications on behalf of those citizens in communities with rehabilitation needs that do not have, or cannot afford, the expertise to administer the 312 program.

Related to the rehabilitation needs is that for urban homesteading. The Administration's request for $20 million is a step in the right direction, and should receive your support. Homesteading can be not only an important part of a neighborhood development strategy, but also a key element in stimulating community pride.

Mr. Chairman, we are also concerned about the need for adequate funding for the Section 701 planning and management program. While we recognize that you have been a critic of this program, we feel that your constructive criticisms, and the progressive efforts of 701 recipients have made 701 a more productive and necessary program for the future. We support full funding of the requested authorization for the Section 701 program of $57 million, and emphasize that even this amount is not enough. We recommend that you increase this program to $75 million, which is what we supported last year. It is our understanding that HUD originally went to OMB with a request for $100 million which demonstrates their belief that the 701 program has been useful and can be a critical tool for effective housing and community development programs.

I wish to note that the President's Urban Policy calls for a number of measures which the 701 program supports the achievement of, including: development strategies, coordination of programs, effective use of program resources through redirected activities, and capacity building in local governments to meet new responsibilities.

701 provides not only for technical planning activity, but also supports improvement of the management effectiveness of the chief executives in state and local government. This improvement in management capability has led to putting plans into action rather than putting them on the shelf.

I might also note that we are aware of the concern of localities for sufficient funding in the allocation of 701 funds. We feel that a sufficient response to the needs of localities requires a higher appropriation given the competing needs of other recipients. Attention to localities' needs is particularly appropriate this year given the new demands placed upon them for participation in the HUD Small Cities program and the Urban Development Action Grant Program.

The debate in the past year over a national urban policy illustrates the need for HUD research and policy analysis. The authorization request for $62 million for research seems reasonable given the complexities of the issues involved and particularly the current realization that solutions for our communities' problems require not only funding and new approaches, but also redesign of existing programs to respond to changing problems and changing capacities to deal with them by the public and private sectors.

Related to the challenges ahead for HUD research, I would like to emphasize that HUD's research agenda does not currently address the state role. We recommend that HUD research target on the role of the states in housing and community development activities and in state-local relations. Not only are the States cited as a critical element of the national urban policy of the President, but urban policy experts across the nation are recognizing that we need to know more about what the States have done and can do to aid their communities.

We are pleased to see that HUD requests $74 million for troubled multi-family housing projects. Several States have used their resources to respond to this need. We think that a missing element of HUD's request is that support would not be provided for State financial Section 236 projects. We recommend that the Committee include additional funding to cover these projects.

Mr. Chairman, a new program we have had high hopes for is the Urban Extension Service; the Administration is requesting $10 million for this program. We think the basic concept of the program is sound, but have reservations about the legislative language that was introduced. Since the authorizing committee is now working with HUD to improve the provision, we recommend that the request be approved. The provision of technical and management assistance and information services has been a gap in HUD's catalogue of programs. Properly constructed, this program would do a great deal to increase the effective use of HUD dollars.

A principal need in the redraft of this provision is the designation of the States as the primary unit for coordination of the program. As the attached table indicates, DCAs alone have 1185 staff responsible for a variety of technical services to local governments; much of this service augments the HUD programs.

In addition, the DCAs have the ability to tap the resources of other local governments, universities, consultants, and the private sector to respond to a particular locality's needs. This ability to coordinate other resources as well as deliver assistance directly was documented in a recent report by COSCAA entitled "DCA Technology Utilization."

Moreover, through their working relationship with cities, DCAs not only know of local problems, but of where success has been made in resolving problems. From this knowledge, DCAs invariably utilize the technical expertise of city officials to transfer successful techniques; this is done through handbook preparation, training workshops, and other measures that would be components of the Urban Extension Service.

I wish to also emphasize that establishing a locus for the Urban Extension Service in the States will provide a point of accountability for the program; the present design with the program being run entirely out of Washington is ill-conceived and not in step with the greater capacity of the States in this area. It should be recognized that this role of the States can relate directly to the State development strategies approach proposed in the President's Urban Policy.

Finally, Mr. Chairman, I wish to endorse the Administration's request for $3.7 billion for Community Development Block Grants, and $400 million for the Urban Development Action Grants. Both of these programs are meeting critical development needs. Again, the States are providing monetary and other forms of support for the effective use of these funds. For example, of the proposals HUD has received for the first round of UDAG grants, States have pledged commitments of approximately $330 million to match public and private funds.

Thank you for this opportunity to provide our observations.

Table I

Survey of DCAs' Functions, Capacities and Budgets

In a 1977 COSCAA survey of all States to determine their community affairs activities, 47 States responded; those not responding were New Hampshire, Nevada and Hawaii. The information below is a summation of the responses.

Program Activities:

Number of States	Activity
45	Local and regional planning assistance
31	General management assistance
34	Some type of housing services
45	Research or policy analysis
39	Coordinate State agency activities
41	Supportive serivces for intergovernmental relations
45	Advocate local interests
36	Assistance in the Federal Community Development Block Grant Program
32	EDA 302 program and related economic development assistance
26	General revenue sharing assistance

Staffing Capacities:

Total Staff - 5660

Assignments for specific functions are as follows:

Various housing assistance	-	510
Research and Policy Analysis	-	278
Coordination of State agency activities	-	162
Intergovernmental relations	-	170
Legislative development	-	163
Economic development (including industrial attraction and tourism)	-	270
Disaster assistance	-	130
Local government regulation	-	101
Minority-oriented programs	-	133
Human services	-	965

Technical assistance as follows:

General management	-	215
Financial management	-	126
Community Development Block Grant	-	96
Local and regional planning	-	405
Urban development	-	96
Downtown development	-	80
Training for Local Officials	-	167

Budget Information

The budgets of DCAs total $1,082,565,000.

Operating budgets of all responding DCAs total $553,913,000

State DCA appropriations are $326,069,000

Federal funds provide DCAs with $214,056,000

Program revenue (publication sales, training programs, etc.) provides DCAs with $13,788,000

DCAs pass through $428,064,000 of State and Federal funds to local units

DCAs have $100,588,000 of flexible State funds for program purposes

STATEMENT OF THE CITY OF SPRINGFIELD, ILL. DEPARTMENT OF COMMUNITY DEVELOPMENT AND PROGRAMS

Mr. BOLAND. The City of Springfield, Illinois, Department of Community Development and Programs has submitted the following statement concerning the HUD-Section 312 program for the record.

[The statement follows:]

CITY OF SPRINGFIELD, ILLINOIS
DEPARTMENT OF COMMUNITY
DEVELOPMENT AND PROGRAMS
601 EAST JEFFERSON ST. - 2ND FL.
SPRINGFIELD, ILLINOIS 62701
PHONE 217/789-2377

HARVEY E. HENDERSON
DIRECTOR

WILLIAM C. TELFORD, MAYOR
JAMES A. DUNHAM, COMMISSIONER
ACCOUNTS AND FINANCES
JIM HENNEBERRY, COMMISSIONER
PUBLIC PROPERTY
PATRICK WARD, SR., COMMISSIONER
PUBLIC HEALTH AND SAFETY
FRANK G. MADONIA, COMMISSIONER
STREETS AND PUBLIC IMPROVEMENTS

COMMENTS TO THE U.S. HOUSE AND SENATE SUB-COMMITTEE

Gentlemen:

Thank you for providing the City of Springfield the opportunity to submit comments relative to the nations appropriation of Section 312 loan funds to cities in the United States.

The City of Springfield, Illinois' rehabilitation program has a need of low interest rate loan funds in the amount of $500,000 to supplement our rehabilitation grant program.

The City of Springfield has thirty-four (34) Section 312 Loan applications approved for a total dollar amount of $246,100 from May, 1977 through September, 1977. The rehabilitation staff has proven their ability to process these loans. In addition to the increase of Section 312 loan funds, it will be necessary to expand our rehabilitation staff from six professional staff members to at least eight to handle the additional workload.

The City of Springfield has proven that allocating $500,000 for rehabilitation is an imperative part of our total Community Development Block Grant program.

Based upon our outstanding past performance in processing Section 312 loans, the rehabilitation staff has shown its expertise in FY 75-76 and FY 76-77 by exceeding our allottment of funds with fifty (50) cases totalling $372,500.00.

Another credit to this rehabilitation staff is that not one of the fifty (50) loan cases has ever defaulted on their payments. As you probably are well aware, some of our sister cities were not so fortunate in processing their 312 loans.

Presently, this extremely competent rehabilitation staff has a total of fifty-seven (57) applications for Section 312 loans, totalling approximately $389,000. This total figure is based solely on construction estimates and does not include any contingencies, taxes, insurance, mortgages, appraisals or any other miscellaneous items. These additional items would total at least another $25,000. In addition to the aforementioned fifty-seven (57) cases, we have thirty-two (32) call-ins waiting and wanting to fill our applications.

Since the City of Springfield, Illinois, Department of Community Development and Programs was recently informed that our request for $500,000 in Section 312 loan funds was severely cut-back, this tragic news places our rehabilitation staff in a very precarious position. We are in dire need of these funds to supplement our rehabilitation grant program for low and moderate income families.

We will need your help in restoring our allotment for Section 312 loan funds. It is imperative for us to continue with our successful program based on needs of local citizenry. Anything that this Department can do, please do not hesitate to contact us. We are depending on you for support and to represent our City.

Harvey E. Henderson
Director

HEH/mm

HUD-College Housing

STATEMENT OF THE NORTH AMERICAN STUDENT COOPERATIVE ORGANIZATION (NASCO)

Mr. Boland. The North American Student Cooperative Organization (NASCO) has submitted the following statement concerning the HUD-College Housing program for the record.

[The statement follows:]

NASCO
North American Student Cooperative Organization
Box 1301, Ann Arbor, Michigan 48106, USA, 313/663-0889
Box 100, Station A, Ottawa, Ontario K1N 8V1, CANADA
Offices at 4312 Michigan Union, Ann Arbor, Michigan

STATEMENT CONCERNING THE "LOANS FOR COLLEGE HOUSING" PROGRAM OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The North American Student Cooperative Organization is a non-profit membership association of student housing co-ops. It provides educational and technical services to our members and to student groups trying to start co-ops. NASCO is the focus of communications for student co-ops in the United States and through it, co-ops from Berkeley to Austin to Ann Arbor are linked.

NASCO presents this testimony in support of the continued funding of the Department of Housing and Urban Development's College Housing Program. NASCO does so on behalf of the thousands of students now living in co-op housing in the U.S. These student co-ops believe that the College Housing Program should be included in the 1979 budget. Minimally, the revolving fund should continue to make loans using the repaid principle on previous loans. This procedure has been successfuly used by HUD in 1977 and is now in effect for 1978.

One of the major problems facing students each year is finding adequate housing. Getting through school on a small budget is a big problem, and one the biggest items on the budget is housing because most campuses are faced with a critical housing shortage.

In order to fight the high cost of housing, students have turned to co-ops. Student housing co-ops are non-profit corporations that provide housing and related services to their member owners. Through efficient self-management, non-profit principles, and volunteer labor, co-ops have been able to provide affordable housing to students. Students short of money turn to co-ops as a means of helping them to continue to attend school.

The Department of Housing and Urban Development has assisted the development of student housing co-ops through its College Housing Program ("Loans for College Housing" authorized in the Housing Act of 1950, Public Law 475, 81st Congress, 64 Stat. 48, 77, 12 U.S.C. 1749, Title IV.) This program has made funds available at 3% per year for periods up to 40 years for the construction, purchase and renovation of student cooperative residences.

Publishers of
The New Harbinger:
A Journal of the Cooperative Movement

Since it made its first loan to a student co-op in 1967, no co-operative has ever defaulted on its payments to the program. The need for the program is demonstrated by the surplus of loan applications over available funding. In 1977, over $541 million in loan requests were received for about $155 million in available funds.

Even with the interest rate subsidy of the College Housing Program, Universities and student co-ops have been unwilling or unable to invest in developing adequate housing stocks for their students. College towns such as Ann Arbor Michigan, Madison Wisconsin and Berkely California all suffer from vacancy rates of about 1% (HUD considers 5% to be the "healthy" figures.) It can be assumed that this overcrowding will worsen if institutions are forced to obtain financing entirely on the private market.

This tendency towards overcrowding in college towns adversely affects both students and local residents. In the face of inadequate dormitory and co-op housing, students will begin to compete with families living near the university and local low income residents. Experience demonstrates that students, because of their occupancy patterns, can often bid the price of housing above what long-term residents can afford. It is not surprising that landlords will rent a house to 5 students at $100/month/person in preference to a family which would have to have an annual income of $24,000 to afford this combined monthly rent of $500.*

At the same time as rising rents displace residents, low income students who are already living at the margin are forced to leave school, or to locate additional sources of support -- typically from the government.

It should be noted that the College Housing Program makes funds available for the rehabilitation as well as construction/acquisition of housing. Loans are made to extend the useful life of a structure and to reduce its operating costs, expecially energy related ones. The program acts as an incentive for institutions to make capital expenditures for neighborhood revitalization and energy conservation. The physical plants of many instituions and student co-ops are showing the signs of age and government assistance is needed for adequate maintenance.

It is appropriate for the Federal Government to assist all students in obtaining adequate housing, and the College Housing Program is a proven and inexpensive way to accomplish this end. The interest rate subsidy to institutions building or rehabilitating student housing is a cheap yet effective form of subsidy dollar.

Students housing needs are unique in several ways. First, students experience high turnover and short periods of residency. Second, student life-styles differ substantially from the population in general. Students have little or no steady income, are able to work few if any hours even when they can find employment, need quiet in order to study

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*This calculation uses HUD's standard of 25% of family income for rent.

and need housing in relatively restricted close-to-campus areas.

Third, students have to compete for housing in a market where demand almost always greatly exceeds supply, and consequently creates an outrageous rent structure. In addition, students are inexperienced in the housing market and do not have the necessary time or expertise to search out low-cost housing. Students are also universally discriminated against in the housing market. Most apartments require first and last month's rent as well as a sizable deposit. The alternative of purchasing is non-existant. Students are unable to raise the money necessary for a down payment on a property and one hundred percent financing for students just does not exist.

By wisely supporting selected dormitory and co-op construction and rehabilitation, the Federal Government can save students significant amounts of money. Without this assistance, poor students would leave school and many students would have to turn to the governmental sector to augment their finances, either through loans, grants, scholarships or other subsidies. A HUD investment of funds for student housing is a one-time only loan that would continue to aid students for 40 years or more. Furthermore, since the principle on the loan is entirely paid back to the government (along with a limited amount of interest) the funds can be recycled in order to benefit yet increasing numbers of students.

The importance of the College Housing Programs can best be appreciated by looking at the experieces of two co-ops that have made extensive use of the program.

UNIVERSITY STUDENTS'COOPERATIVE ASSOCIATION, BERKELY, CALIFORNIA

Of the approximately 30,000 students in the Berkeley area, more than 60% are forced to live in private housing facilities. Of these 18,000 students living in the private sector, 11,000 live in Berkely. Less than 7,000 of the 30,000 students can be accomodated in group living facilities. Each year the University of California dormitories turn away over 600 men, while the Students' Co-op turns way more than 700 men and women.

This shortage of group living facilities has a tremendous impact on campus housing markets. The excess demand for student housing is forcing students into the community at large where they are competing with families for the available housing stock. Students are pushing families out of campus areas in Berkeley. Because demand exceeds supply, students are willing to pay exorbitant rents for housing, raising rents until they become prohibitive to families.

In addition, the housing shortage is forcing students to move further away from campus. This forced migration from the campus area makes it impossible for students to fully utilize other government funded services such as libraries, study areas, low-cost cafeterias and research facilities.

To further compound this problem, suitable group living accomodations are constantly being withdrawn from the housing market. Both the state and the private sector are leaving the group living market.

Private boarding and rooming houses are being sold and converted to non-housing uses. These existing units could be maintained in the housing market if students had the opportunity to operate them.

With the aid of a College Housing Program loan from the Department of Housing and Urban Development and on land leased from the University, the USCA built in 1970 Rochdale Village, a $2,119,000 housing project to accomodate 260 students. This complex has already proven itself to be a highly successful low-cost student apartment house. Residents make a relatively small initial investment ($10.00) and any gains from operations are plowed back into the cooperative. By budgeting and spending wisely, and with savings from their own labor, members are able to use this equity to reinvest in more property to make cooperative living available to even more students.

Recently, USCA received another $2.8 million loan reservation to build Rochdale II. It will be another cooperative apartment complex modeled after the original and highly successful Rochdale project.

INTER-COOPERATIVE COUNCIL, ANN ARBOR, MICHIGAN

The Inter-Cooperative Council in Ann A bor provides room and board for 650 students at well below market rates. Its facilities are largely older group houses, similar to fraternities and sororities in size. However, about one third of its members live in nine "houses" located in a single newer structure. This structure, called North Campus, was built using a 1968 $1.2 million loan reservation from the College Housing Program. HUD was the only viable source of money for the project. Now the 200+ students living in the co-ops are saving money by contributing their labor for cooking, cleaning, serving on committees or in some way helping to maintain the place in which they live.

The North Campus complex was designed by an architect working in close conjunction with students, and has always been a popular place to live. The ICC and its North Campus project are in excellent financial condition and look forward to a bright future of serving students. In fact, the ICC received a second HUD loan in 1977 for use in renovation of its seven aging central campus houses. The cost of renovation is high ($1.3 million) but after completion Ann Arbor students will enjoy high quality, low cost, safe and energy efficient housing for 40 more years, and Ann Arbor will benefit from the renovation of original, but deteriorating housing and the prevention of "student ghettos."

SUMMARY

Students, because of their special housing needs and because of their potentially adverse affect on local residents, should be assisted in meeting their housing needs. The College Housing Program is a proven and inexpensive way for the Federal Government to fulfill this need. The College Housing Program should be funded for fiscal year 1979, and beyond.

HUD-FHA

STATEMENT OF THE MORTGAGE BANKERS ASSOCIATION OF AMERICA

Mr. BOLAND. The Mortgage Bankers Association of America has submitted the following statement to be included in the record concerning the Federal Housing Administration.

[The statement follows:]

Mortgage Bankers Association of America
1125 Fifteenth Street, Northwest, Washington, D. C. 20005

John C. Opperman
President

April 14, 1978

Honorable Edward P. Boland
Chairman
Subcommittee on HUD-Independent Agencies
Committee on Appropriations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the Mortgage Bankers Association of America, I should like to submit the following statement for your Subcommittee's information and consideration with respect to the budget request of the Department of Housing and Urban Development for fiscal year 1979. I should also appreciate it very much if this letter could be made part of the Subcommittee's hearing record on HUD's appropriation bill.

MBA is the trade association of the Nation's mortgage banking industry. It is the only nationwide organization devoted exclusively to the field of mortgage and real estate finance. Our members include mortgage banking companies, life insurance companies, commercial banks, mutual savings banks, savings and loan associations, pension funds, title companies, private mortgage insurers, state housing agencies, investment bankers, and real estate investment trusts.

Mortgage bankers originate more than 75 percent of all the loans insured by the Federal Housing Administration (FHA). These mortgage loans are, in turn, either sold to other financial institutions, to the Federal National Mortgage Association (FNMA), or to institutions that do not ordinarily invest in mortgages, through issues of securities guaranteed by the Government National Mortgage Association (GNMA). This makes the FHA mortgage a basic instrument in the mortgage market. Mortgage bankers, by selling FHA insured loans in the nationwide market, move funds from capital surplus to capital deficit areas, bringing competition into these areas and reducing borrowing costs.

Mortgage bankers have contributed significantly to both the development of the nationwide market in FHA insured mortgages and the implementation of the social objectives of FHA's housing programs. This has benefited both the housing consumer and the mortgage banking industry, as well as the home building industry and the national economy.

We endorse HUD's budget authority request of $33.3 billion for 1979 and we are especially pleased that the major share of these funds will be directed toward the Department's housing programs.

FHA Staffing

With respect to the necessary level of staffing, MBA should like to urge the Subcommittee and the Congress of the vital necessity of providing adequate staff to carry out the functions of the Department, particularly FHA. MBA is most pleased that HUD's fiscal year 1979 budget projects a staff increase of 1410 employees, 883 of whom will be allocated to FHA. We believe that the need for additional FHA personnel is clearly justified in both the central and field offices to handle not only the present workload in a timely and efficient manner, but also to take care of projected expanded FHA activities.

Set-Asides

MBA supports eliminating set-asides under the Section 8 housing assistance program. MBA favors this provision on the assumption that it would encourage greater private enterprise participation. On February 16 of this year, MBA's Board of Governors adopted the following resolution with respect to set-asides:

> WHEREAS, Section 8 of the United States Housing act of 1937 provides for housing assistance payments to be made on behalf of eligible low-income families, the elderly, and the handicapped, and
>
> WHEREAS, The Congress and HUD allocated virtually all of the Section 8 new construction and substantial rehabilitation contract authority for fiscal year 1978 to set-asides for governmental entities, and
>
> WHEREAS, these set-asides resulted in no contract authority being available for Section 8 assistance for privately developed new construction projects and only 2,900 units of Section 8 assistance for privately developed susbstantial rehabilitation projects nationwide,
>
> NOW THEREFORE BE IT RESOLVED, that the Mortgage Bankers Association supports the authorization of Section 8 contract authority for fiscal year 1979 without Congressionally or administratively mandated set-asides.

FHA Insurance Accounting

MBA is concerned about reports that federal auditors from the Government Accounting Office (GAO) have criticized the quality of FHA's insurance accounting system and have threatened in recent weeks to withhold the normal accountant's certification of the accuracy of FHA's books. The HUD budget request for fiscal year 1979 includes funds for the Mortgage Insurance Accounting Project (MAP) which provides for an improved data processing and computer network for management of HUD's programs.

MBA urges the Subcommittee to retain full funding for this program.

Counseling

HUD's budget reflects an $8 million request for the Housing Counseling Assistance Program to provide post-purchase delinquency counseling of FHA insured mortgagors. MBA encourages the Congress to increase this appropriation by $4 million for the development of a pre-purchase counseling program. This would increase from $8 million to $12 million the funds for tenant and homeowner counseling under Section 106 of the Housing and Urban Development Act of 1968, as amended. This section authorizes counseling and advice to low- and moderate-income tenants and homeowners with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions by meeting the responsibilities of tenancy or homeownership.

MBA has long supported the concept of counseling, both pre-purchase and post-purchase. We have also been concerned that in previous years, Congress has failed to appropriate the full amount of authorized counseling funds and that HUD has failed either to ask for or use the full amount of counseling funds actually authorized.

While we are pleased that HUD has asked for $8 million of the $12 million authorized, we would urge the Subcommittee's approval of the additional $4 million for pre-purchase counseling.

We appreciate the opportunity to present our views.

Sincerely,

John C. Opperman
President

JCO/bp

HUD-COOPERATIVE HOUSING

Mr. BOLAND. The National Association of Housing Cooperatives has submitted the following statement to be included in the record.

[The statement follows:]

NATIONAL ASSOCIATION
OF HOUSING COOPERATIVES

202-872-0550
1828 L Street, Northwest
Washington, D.C. 20036

CHAIRMAN EMERITUS
Jerry Voorhis
California

CHAIRMAN OF THE BOARD
Charles Rappaport
Federation of
Section 213's, Inc., N.Y.

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TechniCo-op, Inc., Conn.

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Dean Slayton
Eastern Cooperative
Housing Organization

Darney T. Standfield
Metropolitan Association of
Housing Cooperatives

J. Jacob Wind
North American Student
Cooperative Organization

TREASURER
Fred Thornthwaite
Cooperative Services, Inc.

SECRETARY
Eleanor F. Shaw
Michigan

NATIONAL FIELD
REPRESENTATIVE
Paul Goltz
MOD Foundation,
California

EXECUTIVE DIRECTOR
Ernie Eden

April 12, 1978

Hon. Edward P. Boland
Chairman, Subcommittee on HUD-Independent Agencies
House Appropriations Committee
House of Representatives
Washington, D.C. 20515

Dear Chairman Boland:

Although we were unable to testify during your subcommittee's hearings on HUD Appropriations this year, I'd like to ask that you include our statement concerning the Special Assistant for Cooperative Housing in the hearing record.

During the early 1950's, when the Section 213 program for cooperative housing was being developed, HUD had a strong Special Assistant for Cooperative Housing and solid support from the Administration. Documents and procedures were developed to assure the continued safety and success of the program.

As a result, the Section 213 Cooperative Housing Management Insurance Fund is in better shape than any of FHA's other multi-family insurance funds, and has returned dividends of more than $35 million to Section 213 cooperatives in the past ten or twelve years.

When the Section 221(d)(3) BMIR program was developed, the Office of Special Assistant was still functioning fairly well and the documents and procedures for cooperatives developed under this program were fairly well developed. There was effective liaison between HUD, the cooperative sponsorship organizations, and the many builders who participated in the program.

At the time the Section 236 program came along, the Office of the Special Assistant was no longer functioning effectively and did not have the support of the Administration. As a result, all of us intimately associated with cooperative housing production under this program are aware of the many deficiencies in the documents and procedures used in developing the Section 236 cooperative program.

The record will show that the Section 221(d)(3) BMIR program has a lower default rate for cooperatives than that for rentals produced under the auspices of limited dividend partnerships and non-profit organizations. The record for

cooperatives produced under Section 236, however, is not as good. The default rate lies somewhere between that for limited dividend partnerships and non-profit rentals. We believe that the primary reason for this was the lack of an effective Office of the Special Assistant for Cooperative Housing during the formative years of the Section 236 cooperative program.

Please insert this letter and the enclosed background paper on the Special Assistant for Cooperative Housing. We urge that this office be revitalized to its former strength and effectiveness.

If you have any further questions on cooperative housing, and HUD and FHA programs, in particular, feel free to call upon us.

Sincerely yours,

Ernie Eden

Ernie Eden
Executive Director

HUD & The Special Assistant for Cooperative Housing

--a background paper by Ernie Eden, Executive Director
of the National Association of Housing Cooperatives

At one time the Federal Housing Administration played an important role in the development and management of housing cooperatives. The following excerpt from the 1950 FHA Annual Report reflects the type of trained staff who were available to assist cooperatives:

"A Cooperative Housing Division under the direction of an Assistant Commissioner has been established in the Washington headquarters of the FHA. It includes a legal advisory section prepared to advise groups on organizational steps and FHA legal requirements; a technical advisory section to render advice and assistance on land planning and architectural matters; and a management advisory section to assist cooperative groups in all phases of management, including their administrative, fiscal, and maintenance activities."

Cooperative housing leaders are quite concerned with the loss of status of the Special Assistant for Cooperative Housing over the past 28 years. In 1964, HUD's Cooperative and Condominium Division had 13 staff members. The Division was changed to a Branch with 7 staffers in 1968. In 1970, the staff was further reduced to four. Finally, the program branch for cooperatives was eliminated, and one individual was placed in the Office of Technical Standards to be in charge of both condominiums and cooperatives. In 1977, the Special Assistant for Cooperative Housing was given an assistant. They are assigned to the Multifamily Programs Division of the Office of Insured and Direct Loan Origination, and have only part-time use of a secretary. These two people are responsible for all cooperative and condominium work in the department.

Translating this assignment into plain English -- the Special Assistant presently is part of the HUD staff that attempts to promote the development of new multi-family housing involving market rate financing. In fiscal 1977 some 350 dwellings of market rate cooperatives were constructed; in fiscal 1976 none were constructed. The precipitous decline in the rate of development of new cooperatives indicated by this record as compared with the 10,000 or more units built per year in many prior years reflects many problems including the lack of favorable financing that was available under Title 6 in the 1950's. But it also reflects the impotence to which the Special Assistant has been reduced.

There are some 200,000 HUD-insured or assisted dwelling units under cooperative ownership. The Special Assistant was originally very much available to help these cooperatives with their amateur boards of directors cope with the continuing problems of operation, management, and the implementation of HUD requirements and regulations. The Special Assistant, as HUD is currently organized, has no effective way to help existing cooperatives even if he had the staff and capability to do so.

Half of the existing HUD insured or assisted cooperative dwellings are beneficiaries of below market interest rate mortgages or interest or rent assistance of some kind. The Special Assistant, as HUD is now organized, has no direct or effective way to help either existing or proposed cooperatives of this sort.

HUD & The Special Assistant for Cooperative Housing

In reality, the Special Assistant for Cooperative Housing has neither the staff nor the authority to carry out his legislated responsibilities. The office is unable to assist tenant groups who would like to convert their rental buildings to cooperatives, and it is unable to assist existing co-ops and their boards of directors. In addition, the Special Assistant has duties totally unrelated to cooperative housing; this is in direct conflict with the legislation outlining his job.

Clearly HUD has not provided the support and assistance for housing cooperatives envisioned by the Congress as expressed in Section 213 of the National Housing Act and subsequent legislation dealing with cooperatives. The Housing Authorization of 1976 further updated the duties of the Special Assistant so that this statute now reads:

> "In the performance of, and with respect to, the functions, powers, and duties vested in him by Section 213 of the National Housing Act, section 221(d)(3), section 235, section 236, section 241, section 243, section 246, and section 203(n) of the National Housing Act, and section 101 of the Housing and Urban Development Act of 1965 or section 8 of the United States Housing Act of 1937 (insofar as the provisions of such sections relate to cooperative housing), the Secretary of Housing and Urban Development, notwithstanding the provisions of any other law, shall appoint a Special Assistant for Cooperative Housing, and provide the Special Assistant with adequate staff, whose sole responsibility will be to expedite operations under such sections and to eliminate obstacles to the full utilization of such sections under the direction and supervision of the Commissioner and Assistant Secretary for Housing Management. The person so appointed shall be fully sympathetic with the purposes of such sections."

This statutory requirement is not being fulfilled in spirit or in substance. Full compliance would provide an important stimulus for the development of new cooperatives and the conversion of existing rental properties to cooperative ownership. A full staff of cooperative specialists also would help insure the continuing viability of existing housing cooperatives across the nation.

The Congress was well aware of the special problems posed by cooperatives for middle, moderate and lower income families -- and this is why the legislation creating the Special Assistant for Cooperative Housing was enacted and has been updated over the years. The American tradition has been to create cooperatives which are independent corporate entities. Any program designed to create dozens or hundreds of such entities needs some backup mechanisms to help the residents establish effective leadership that can cope with the initial and continuing problems of running multifamily housing projects. The office of the Special Assistant was conceived of as a technical resource to make sure the programs were properly designed in the first place and were followed up to make sure they worked effectively.

The record will show that the first FHA-insured cooperative housing programs, built around Section 213 of the National Housing Act, were the best ones. The Special Assistant was functioning while these programs were implemented. There were some programmatic errors particularly with the "investor-sponsored" approach, but those projects that became cooperatives have the best default record of all HUD-insured multifamily programs. Later programs were less successful -- and the lack of success can be related to the tapering off of support for the Special Assistant within HUD.

For further information, contact Ernie Eden, 1828 L Street, Suite 1100, Washington, D.C. (202) 872-0550.

NIBS

STATEMENT OF JOHN A. COUTURE, LEGISLATIVE COUNSEL, NATIONAL FOREST PRODUCTS ASSOCIATION OF WASHINGTON, D.C.

Mr. BOLAND. The Committee has received a letter from the National Forest Products Association. The letter will be placed in the record at this point.

National Forest
Products Association

John A. Couture
Legislative Counsel

Forest Industries Building • 1619 Massachusetts Avenue, N.W.
Washington, D.C. 20036 • 202 797-5846

April 13, 1978

Honorable Edward P. Boland
Chairman
Subcommittee on HUD - Independent
Agencies
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman,

The National Forest Products Association urges that your subcommittee provide two million dollars in further funding of the initial start-up costs for the National Institute of Building Sciences (NIBS). We understand that this level is the amount requested by NIBS to move forward with establishing itself as a self-supporting entity.

NFPA views NIBS as a potentially effective mechanism to: (a) provide coordination in dealing with building standards and technology matters; (b) expedite filling of major gaps in building research; (c) develop a uniform basis for evaluating new building materials and systems; and (d) serve as a major clearing house for the latest building standards information available.

We strongly supported its creation in the Housing and Community Development Act of 1974 (PL 93-383). As a result of last year's appropriations, NIBS has at last got under way and we continue to be optimistic that it will successfully implement its charge.

Finally, we request that this letter be made a part of the hearing record on the FY'79 HUD and Independent Agencies Appropriations bill.

Sincerely,

John A. Couture

cc: Members HUD -- Independent
Agencies Subcommittee

FEDERAL HOME LOAN RANK BOARD

Mr. BOLAND. Mr. William S. Bergman, Executive Vice President, The National Association of State Savings and Loan Supervisors has submitted a statement concerning the Federal Home Loan Bank Board for the record.

[The statement follows:]

TESTIMONY OF

WILLIAM S. BERGMAN
EXECUTIVE VICE PRESIDENT

THE NATIONAL ASSOCIATION OF STATE SAVINGS & LOAN SUPERVISORS

BEFORE THE

HUD & INDEPENDENT AGENCIES SUBCOMMITTEE,
COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

APRIL 11, 1978

Thank you, Mr. Chairman, for the opportunity to appear before you and explain the views of the National Association of State Savings and Loan Supervisors regarding the requested authorization for the Federal Home Loan Bank Board in FY 1979.

As you know, this association represents the savings and loan supervisors of the states who have similar functions as the employees of the FHLBB regarding federally chartered institutions. The purpose of our testimony is not to diminish the Board's ability to preform its tasks in any way, but rather to seek the assistance of this committee in encouraging the Board to fulfill its responsibility as a partner in the savings and loan examination and compliance functions when that responsibility is a function shared with the states.

Only because we believe that the relationship between the FHLBB and its connter-part as represented by the State Savings and Loan Supervisors, is deteriorating judging from the fact that little response has been received from the FHLBB to proposals

by this association for cooperative programs to strengthen both federal and state examination and compliance efforts, do we come before this committee today to air some of these feelings. We believe that the Board's inability to recognize and deal with its shared regulatory responsibility with the states has led and will continue to lead to needless duplication in the joint examination program, as well as in the area of supervision of state chartered savings and loan associations. It seems to us that it is the height of short-sightedness for the Board because of its inability to meet its stated examination schedules to ignore the practicality of utilizing more than 700 trained state examiners in favor of hiring many new inexperienced federal examiners. To illustrate, this point, let me cite two of the most recent requests to increase the Board's examination staff.

In the 1977 Supplemental Appropriations Bill, the Board requested and received funds to hire 60 additional examiners. In the FY 1979 Budget of the FHLBB, 33 additional examiners are requested for a total of 93 new employees for the examination staff. Based on information developed by various states, the field operations of the Board's Office of Examination and Supervision currently requiring a ratio of 3 field examiners to 1 supervisory examiner. Thus, the addition of 93 new examiners will require the withdrawal of approximately 31 experienced federal examiners from the field, who jobs will then be to

manage the activities of the 93 new recruits.

We believe that now is an appropriate time for this committee to insist that the 700 state examiners be better utilized in helping to meet the needs of the FHLBB to satisfy their requirements of examination. We understand that this alternative has actually been recommended to the Board through an independent study conducted by Haskins and Sells saying that a significant savings could be obtained through this method through the Office of Examination and Supervision.

This association has recommended a concrete program to the FHLBB as early as last September and has discussed the same with them without any satisfactory response regarding this program. This program would be an experimental program which could be implemented to allow for federal withdrawal of routine examination functions of state chartered associations without giving up its purported mandate to assure the safety and soundness of state chartered institutions. We are told that this proposal has never received an evaluation or serious consideration by the FHLBB or its Office of Examination and Supervision despite repeated submissions from this association and encouragment from other prominent people in the government.

Therefore, we request that this committee provide that the appropriation requested in the FY 1979 Budget, together with money previously authorized and appropriated in the supplemental bill for 1978 be re-directed toward training and up-grading state examiners, thus allowing federal examiners to concentrate on those examination procedures and laws which are uniquely federal. This type of federal-state partnership and cooperation can make the examination more meaningful for both the FHLBB and the state supervisors in their assigned roles.

An additional point we call to your attention in the area of examination is the inequity of the federal subsidy to federal examiner charges to fit financial institutions. As you know, it has been the practice for some years for FSLIC to underwrite somewhere between 23% to 27% of the actual man-day charges billed to a federal savings and loan institution. We believe this situation to be inequitable since both state chartered and federally chartered institutions pay premiums to the FSLIC. A state chartered institution, being examined by both federal and state examiners, receives on average only 50% of the subsidy, while its federal counterpart receives the full amount. This obvious unfairness should be corrected.

Officers of the National State Savings and Loan Supervisors met with the Chairman of the Federal Home Loan Bank Board on September 15, 1977, to review with him various issues of concern to the dual system. At his request, we identified 6 areas in which we thought policy statements and/or cooperative efforts would be in the best interests of both regulatory authorities. We were later informed by the Chairman that he directed a study of ways these objectives might be achieved. We were given no opportunity to participate in the study or to provide input into its development, if in fact the study was undertaken on the points raised at the meeting. We now understand that the Chairman of the FHLBB has testified before this subcommittee that in fact no study is underway. We have never been given any report as to the results of any study and doubt seriously whether or not our suggestions have been evaluated at all.

The purpose of our testimony, again, is to assist this committee in evaluating the leadership role which we feel the Office of Examination and Supervision in the FHLBB should play in a cooperative program between the federal government and the states in the areas of oversight in this field. The Office of Examination and Supervision has contended over the years that some states do not maintain standards equal to theirs. Further, they have said that due to insufficiency of state funds,

some state training programs are inadequate. Therefore, particularly when compared to theirs the state examiners would not appear to be as well trained. While we would agree with these observations in a very few states, it is clearly not the case in most states, where the number and assets of state savings and loans are significant factors. Be that as it may, we contend that the Board has a responsibility for leadership to meet with the states to agree upon national standards that are equal when applied to state and federal examining functions and to assist the states with either grants or matching funds which the states may need to maintain these standards. When such a program is implemented, the present duplicative examination system can be eliminated.

The National Association of State Savings and Loan Supervisors stands ready to assure this committee and all others that it will carry out its responsibility in a true federal-state partnership with the Federal Home Loan Bank Board on matters of mutual interest and concern. This committee should be interested in encouraging not only savings of tax payers dollars through these efforts, but in trying to improve the system of examination and compliance which is a joint responsibility of both state and federal authorities.

Thank you. I will be happy to answer any questions.

Selective Service System

STATEMENT OF MAJOR GENERAL ROBERT F. COCKLIN, EXECUTIVE VICE PRESIDENT OF THE ASSOCIATION OF THE U.S. ARMY

Mr. Boland. We have received a statement concerning the Selective Service System from the Association of the U.S. Army which we will place in the record at this point.

ASSOCIATION OF THE UNITED STATES ARMY

1529 EIGHTEENTH STREET, N.W. WASHINGTON, D.C. 20036 (202)-463-1800

14 April 1978

A STATEMENT TO
THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES

Mr. Chairman:

I am Major General Robert F. Cocklin, Executive Vice President of the Association of the United States Army (AUSA), and welcome this opportunity to express the views of our 106,000 members in support of the budget request of the Selective Service System for fiscal year 1979.

Over the years, AUSA has voiced deep concern over the manner in which the Selective Service System has been systematically dismembered. Since 1974, the Selective Service System has been the victim of budgetary actions that have reduced its size from 2,445 paid employees in 626 offices nationwide to its present level of 100 employees in just six offices. In 1975, the registration and classification of all 18-year-olds was suspended by presidential proclamation. This is in direct violation of the statutory requirement of the Military Selective Service Act that this group be registered and classified. Congress, for its part, has acquiesced by approving shrinking budgets. The system can no longer provide the manpower the military needs in an emergency.

The Defense requirement remains firm in the need for personnel to enter the training base during an emergency. The Army needs these personnel within 30 days of mobilization. The Selective Service System's ability to respond to a mobilization call for substantial numbers of selectees has been estimated at nearly 180 days by its former director. Thus, allowing a minimum of three months for training, the first draftee replacement would not be available to units in combat for between seven and nine months. In no way does this schedule meet the absolute minimum requirements of our active and reserve component forces. For example, the Army Guard and Reserve units are some 157,000 short of their wartime personnel requirements. And while Selective Service capabilities have dissipated, the Individual Ready Reserve (IRR)--the only other source of trained manpower--has collapsed for lack of input. The immediate shortage in the IRR exceeds 420,000.

In its FY 1979 request, the Selective Service System has asked that funding be increased to $9.5 million, some $2.9 million more than provided in FY 1978. We support this proposed increase in their budget but consider this amount totally inadequate to meet what should be the minimum operational capability of the System: on-going registration and classification of all 18-year-olds. The budget of the Selective Service must be increased to meet that minimum capability if we are not to make a mockery of defense commitments.

This conclusion comes after a careful study of the Selective Service System that we completed relative to our review of the All Volunteer Force and published in our special report, "Manpower for the Military: Draft or Volunteer." An extract of the pertinent portions of that report are attached for the record.

The emasculation of the Selective Service System was one of the foolish reactions in the national trauma engendered by the Vietnam War. The need to restore national common sense in these matters is long overdue. A responsive and viable Selective Service System is an essential component of our deterrent posture.

Thank you.

EXTRACT FROM: MANPOWER FOR THE MILITARY: Draft or Volunteer.
Association of the United States Army 29 April 1977

THE DISMANTLING OF THE SELECTIVE SERVICE SYSTEM

The Heart of the Problem

The decision to install the All-Volunteer Force was never justified on grounds of eliminating or altering dependence on the Selective Service System to supply manpower needed by the Department of Defense in time of national emergency. Yet, in the past four years the Selective Service System has withered to the point where it can no longer be expected to meet crucial Defense manpower needs in the early months of a future war.

Although actual requirements are scenario-dependent, it can be said that to support full mobilization for a major conventional war in Europe, Defense needs the following from the Selective Service System:

—The first inductee delivered for training at Mobilization Day + 30 days.

—About 650,000 draftees between M + 30 and M + 180 days.

—Some 70,000 Army Standby Reservists in 30-45 days after M-Day.

—Another 70,000 Standby Reservists for the other Services by M + 60 days.

If the Selective Service System were organized and manned to deliver the first inductee by M + 30, then the first draft-produced replacement could be shipped overseas by about M + 4 months, allowing three months for predeployment training, the minimum required by law. This would reduce the strain on the depleted IRR and permit timely replacement of losses sustained by forces engaged in combat. However, no such capability exists today. While the IRR has been evaporating into the volunteer atmosphere, the Selective Service System itself has been quietly dismantled. The dismal truth is that having deteriorated from an operational status in FY 73 to a "deep standby" status today, the Selective Service System cannot deliver the first inductee until M + 4 months, meaning it will be M + 7 months before the first draftee can be made ready for shipment overseas.

Taking Liberties With the Law

The necessity for a Standby Draft mechanism was recognized by the Congress in its amendment of the Military Selective Service Act in September 1971. The pertinent paragraph of the new law followed recommendations of the Gates Commission and Administration officials and read as follows:

"If at any time calls under this section for the inductions of persons for training and service in the Armed Forces are discontinued because the Armed Forces are placed on an all-volunteer basis for meeting their active duty manpower needs, the Selective Service System, as it is constituted on the date of the enactment of the subsection, shall, nevertheless, be maintained as an active standby organization, with (1) a complete registration and classification structure capable of immediate operation in the event of a national emergency and (2) personnel adequate to reinstitute immediately the full operation of that System, including military reservists who are trained to operate such System and who can be ordered to active duty for such purpose in the event of a national emergency."

We don't possess a license to practice law, but there is no law that forbids us to practice English. And to us, this language means that during the Volunteer Era the Selective Service System was to stand by in a ready-to-go status with sufficient structure and personnel to assume full operation immediately in event of national emergency.

The key provision, just cited, is still in effect, but it has been undermined by a series of budget cuts that have reduced the System to a hollow shell, incapable of meeting well-established Defense requirements. This reflects the hostile, or at least indifferent, attitude toward Selective Service that has enveloped much of our society since the bad old days of the Vietnam War. It also suggests a willingness to enlarge the already considerable risk associated with existing plans for dealing with national emergencies.

Softening the Draft Bite

Although it was little noticed at the time and has been little remembered since, by the time the draft ended many improvements had been made that eliminated the major inequities and irritants that surrounded draft operations during the Vietnam War. For example:

—A random sequence or lottery system of selecting men for military service was in effect.

—Men were exposed to the draft for a period of one year only and since the lottery permitted them to know their draft number during the year before they became vulnerable to the draft, they could make realistic, long-range plans.

—Most men became vulnerable to the draft during the year of their 20th birthday, an age when they could be expected to cope with the emotional and physical demands of the draft.

—Occupational, agricultural, student and paternity deferments were phased out and no new ones were being issued.

—With the exception of registrants deferred for extreme hardship to dependents, certain medical specialty students, ministerial students and some elected public officials, all other registrants, or in excess of 95% of any age group, were exposed to the possibility of processing for induction.

—Registrants could appear in person before appeal boards.

—Registrants could receive reasons from local and appeal boards for adverse classification actions.

—The minimum age of local board members was lowered to 18.

—The maximum period of service allowed on local boards was lowered to 20 years.

The point is that a good job had been done of softening the disruptive effects of the military draft. If we do find it necessary or advisable to go to a draft again, we don't have to invent a totally new one. We have one on the shelf that has been tested in the real world and defanged.

Dismantling by the Numbers

When the draft ended in FY 73 the Selective Service System had a fully operational structure consisting of a national headquarters, supervisory regional organizations, State headquarters, local boards and appeal boards. Over 8,000 paid employees were engaged in operating the System. The budget, including rent costs, ran around $96 million.

Once the draft was terminated, the Selective Service System became fair game for those hunting economy, supposed efficiency, political hay and post-Vietnam therapy.

On 1 July 1973 the President's induction authority was allowed to lapse, a move that risked delay in getting cranked up for some new emergency, and that detracted from our deterrent posture.

In FY 74 preinduction physical examinations were stopped, classification was limited to 500,000 per year (sufficient to guarantee delivery of 100,000 men within 90 days of a call for inductions by Defense), the Selective Service budget was down to $61 million, including GSA's rental charges, and the work force was slashed to some 4,340 persons.

In FY 75 almost 2,900 more employees were severed from the rolls, and the budget dropped to $45 million.

In FY 76 the practice of continuous registrations was ordered discontinued and development of a plan for annual registration was undertaken. With no registrations, classifications were also stopped. The budget bite this time took the Selective Service System down to some $37.5 million.

All this turned out to be stage-setting for the death scene of FY 77 when a strangulation budget of $6+ million was decreed. This meat-axe cut meant that:

—There would be no annual registration. Any future registration would await a Presidential request of Congress for induction authority.

—The Selective Service would be reduced to a 100-man organization responsible only for manpower procurement planning at the national level.

—Local boards were wiped out and regional headquarters were virtually eliminated, leaving the NG and Reserve cadres of State headquarters the only field elements.

As AUSA observed at the time, the death knell of the Selective Service System had been sounded. The "deep standby" was more deep than standby.

What it Means

The relegating of the Selective Service System to "deep standby" status meant that when all the pretenses were set aside, fundamental Defense requirements for manpower in a national emergency simply would not be met. In the context of the time, this ugly truth was not disturbing to many outside the military.

Here is the arithmetic of the situation, as it exists today:

—The first inductee will be delivered to Defense, not at M + 30 days, but at M + 110 days. Hence, the first trained replacement cannot be sent overseas until seven months after M-Day.

—Instead of 650,000 inductees to Defense by M + 180 days, the Selective Service System can only promise 100,000 in 150 days and 480,000 in 230 days.

—Instead of 67,000 Army Standy Reservists in M + 30-45 days, the first one will not show up for 45 days.

To us it is clear that the dismantling of the Selective Service System has seriously jeopardized our ability to carry out our basic plans to cope with a major war. We share the "grave concern" expressed by the Defense Manpower Commission in the following terms:

"Recent administrative actions have already emasculated any semblance of a viable standby Selective Service System. In the event of sudden major hostilities, our volunteer forces would be weakened by casualties without adequate loss replacements. In time

they would be unable to conduct sustained operations, and could be annihilated."

Strong words, yes, but a fair appraisal of a harsh situation, invented here in America by folks who have historical reasons for knowing better.

Part of the rationale for de-energizing the Selective Service is the dubious assumption that we probably can count on sufficient warning to rebuild the draft machinery in time to meet Defense manpower requirements. Two things are wrong here. It can also work the other way, in which case we will pay a stiff price for tying our national security to optimistic assumptions. And even if, somehow, an accommodating foe provides us the luxury of lengthy warning during a prolonged period of tension, the act of activating the Selective Service System under such conditions could be a destabilizing factor, endangering efforts to defuse that tension.

Another piece of the rationale for "deep standby" status is that post-mobilization drafting of prior service personnel will meet our need for personnel in the uncomfortable interval between the exhausting of the IRR and the initial flow of trained inductees. Quite apart from the political implications of asking some to serve twice while others serve not at all, are the practical problems of locating these people, screening their status and retraining them in the brief period available in a quick-hitting emergency.

Perhaps the underlying rationale of some who support a mothballed Selective Service System is the unexpressed disbelief that the next war will be conventional enough or long enough to justify a comprehensive, mobilization effort. This may have to be debated directly before the issue of the All-Volunteer Force versus a draft force can be resolved.

However, barring a fundamental change in the threat and in our national strategy, we see an urgent need to reestablish now a truly operational Selective Service System, including Presidential induction authority. The cost of doing so is small compared to the high price of most other important readiness measures. The advantages of doing so are many, including:

—Providing a practical remedy for the inability of the volunteer concept to supply the manpower needed in wartime.

—Compensating for the evaporation of the IRR.

—Significantly improving support of forces in combat whose need for replacements will be most critical in the opening months of war.

—Strengthening the credibiilty of our deterrent to conventional war.

—Putting our youth on notice that the recent Presidential amnesty for draft evaders was a one-time, special case and not a pattern for the future.

SELECTIVE SERVICE SYSTEM

Mr. BOLAND. We have received two resolutions on the Selective Service System from Mylio S. Kraja, Director, National Legislative Commission, The American Legion which we will place in the record at this point.

[The resolutions follow:]

58th NATIONAL CONVENTION OF THE AMERICAN LEGION
SEATTLE, WASHINGTON, AUGUST 24-26, 1976

RESOLUTION 427

COMMITTEE: National Security

SUBJECT: SELECTIVE SERVICE SYSTEM

WHEREAS, the defenses of the nation require the maintenance of a military manpower mobilization capability equal to meeting the needs of a sudden national emergency; and

WHEREAS, the Selective Service System has proven itself to be fully effective in meeting the vital national needs during all wars this nation has been engaged in during this century; and

WHEREAS, current Selective Service plans at the national level eliminate the history proven decentralized organization in favor of a centralized computer system administered by National and Regional Selective Service offices; and

WHEREAS, in the event inductions were renewed, the National Director would determine a registrant's availability for service and a computerized induction order would be issued from Washington; and

WHEREAS, the chances of a mechanical failure of a centralized draft machine are substantial as well as the untried methods necessary to provide manpower; now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Seattle, Washington, August 24-26, 1976, that we continue to support the maintenance of the Selective Service System as a viable preparedness measure; and, be it further

RESOLVED, that the authority of the state government be retained in the administration of the standby Selective Service System supported by an active State Selective Service headquarters with a State Director in charge, responsible for the maintenance of emergency military manpower mobilization plans for the state; and, be it further

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RESOLVED, that The American Legion recognizes and continues to support the training of a pool of Reserve and National Guard officers in Selective Service Manpower Mobilization Procedures; and, be it further

RESOLVED, that the local board in a registrant's own community have the responsibility for the classification and the issuance of induction orders rather than depend on an untried computerized system; and, be it further

RESOLVED, that the decentralized system composed of national, state and local communities be retained as the basis of the Selective Service System.

59th NATIONAL CONVENTION OF THE AMERICAN LEGION
HELD IN DENVER, COLORADO, AUGUST 23-25, 1977

RESOLUTION NO. 452

COMMITTEE: National Security

SUBJECT: RE-ESTABLISH SELECTIVE SERVICE SYSTEM

WHEREAS, the defenses of the nation require the maintenance of a system of military manpower procurement equal to meeting the needs of present and foreseeable defense commitments as well as primary wartime demands; and

WHEREAS, the validity and effectiveness of the present all-volunteer Army program has fallen into serious doubt regarding its ability to meet these vital requirements on a continuing basis; and

WHEREAS, the Selective Service System has proven itself to be fully effective in meeting the vital national needs during all wars this nation has been engaged in during this century as well as the requirements of the peacetime army since World War II until the present troubled period of the all-volunteer Army program; and

WHEREAS, in spite of the long successful record of the Selective Service System and the clean mandate of Congress as provided in the Military Selective Service Act, the current organization and functions of the standby Selective Service System completely disregards the essential provisions of the Military Selective Service Act which provides that a complete registration and classification structure capable of IMMEDIATE operation in event of a national emergency be maintained even when Selective Service is on a standby basis; and

WHEREAS, the present planning at the national level of the Selective Service System has cast aside the history proven decentralized organization in favor of a centralized computer system administered by National and Regional offices; and

WHEREAS, the capability of the Selective Service System to meet the above provisions of existing law has been so ordered through budgetary and personnel constraints that it can no longer meet the well established requirements of the Department of Defense; now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Denver, Colorad, August 23-25, 1977, that we continue to support the maintenance of the Selective Service System as a viable preparedness measure; and, be it further

RESOLVED, that The American Legion believes the negative impact of the all-volunteer Army program in the strength and quality of the Active Army and Reserve components is now readily apparent to even the most casual student of military affairs; and, be it further

RESOLVED, that The American Legion support the re-establishment of a completely operational Selective Service System in compliance with existing law, including Presidential induction authority, such actions being considered essential to correcting current manpower problems of the armed forces; and, be it further

RESOLVED, that The American Legion support the retention of the authority of the state government in the administration of the Selective Service System, even when it is on standby basis, supported by an active State Selective Service headquarters with a State director in charge who is responsible for the maintenance of military mobilization plans and operations for the state; and, be it further

RESOLVED, that the local board in a registrants own community have the responsibility for determining his availability and the issuance of induction orders rather than depend on an untried, centralized computer system; and, be it further

RESOLVED, that the President and Congress be urged to provide the necessary directions to and budgetary support of the Selective Service System so that the mandates of the Military Selective Service Act are enforced and so that the Selective Service System is able to meet the manpower requirements of the Department of Defense when called upon.

STATEMENT OF THE RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

Mr. BOLAND. The Reserve Officers Association of the United States has submitted the following letter and madate for the record concerning the Selective Service System.

[The information follows:]

Reserve Officers Association of the United States

Major General J. MILNOR ROBERTS, USAR, *Executive Director*
Colonel FLOYD H. HAYWOOD, JR., USAF (Ret.), *Deputy Executive Director*
Colonel ROBERT L. MUNCIE, USA (Ret.), *Director, Army Affairs*
Rear Admiral JOHN B. JOHNSON, USNR (Ret.), *Director, Navy, Marine Corps, and Coast Guard Affairs*
Colonel BENJAMIN S. CATLIN III, USAF (Ret.), *Director, Air Force Affairs*
Colonel A. H. HUMPHREYS, USAR, *Director, Retirement Affairs*
Brigadier General JOHN H. McLAIN, USAR (Ret.), *Director, Membership Affairs*
Major H. WARD ADAMS, USAR, *Legislative Assistant*
National Headquarters—MINUTE MAN MEMORIAL BUILDING, 1 CONSTITUTION AVENUE, N.E., WASHINGTON, D.C. 20002, 202/547-4300

12 April 1978

The Honorable Edward P. Boland
Chairman
Subcommittee on HUD-Independent Agencies
House Appropriations Committee
H-143 The Capitol
Washington, D. C. 20515

Dear Mr. Chairman:

We understand that the appropriations request of the Selective Service System is being considered by your Subcommittee and that a public hearing is being held on 12 April 1978. The Reserve Officers Association strongly supports the Selective Service System and its appropriations request. You will please find a copy of our most recent mandate expressing this strong support for an independent Selective Service System.

We would appreciate our letter to you together with our enclosed mandate being inserted as part of the record of your proceedings.

Sincerely,

J. Milnor Roberts
Major General, USAR
Executive Director

JMR/gw
Encl.

RESOLUTION NO. 78-7

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

SUPPORT FOR AN INDEPENDENT SELECTIVE SERVICE SYSTEM

WHEREAS, the independence of the Selective Service System is threatened by the federal reorganization program which could merge the System with the Department of Defense or a non-defense related agency; and

WHEREAS, the Selective Service System has operated effectively and efficiently as an independent agency established in 1940, serving the national interest with required military manpower through three major conflicts and numerous periods of unsettled peacetime; and

WHEREAS, the Selective Service System, as an independent agency, has demonstrated a time-tested and proven method of manpower procurement for the armed forces while helping to preserve, during wartime, the nation's civilian economy, industrial capability, and technological expertise through a system of deferments for essential workers; and

WHEREAS, an independent Selective Service System, unhindered by a layer of management between it and the President, can respond more rapidly to a national emergency; and

WHEREAS, an independent Selective Service System provides positive evidence to friend and foe alike, of the Nation's strong will and determination; and

WHEREAS, an independent Selective Service System can retain its experience, knowledge, and expertise in the field of military manpower procurement and continue public confidence and trust by maintaining its "grass roots" approach and local board autonomy; and

WHEREAS, an independent Selective Service System will preclude a conflict of interest or the perception of one, among those government agencies and departments that compete for manpower in time of war; and

WHEREAS, many Executive and Legislative commissions, over time - the most recent of which was the Defense Manpower Commission- have examined the Selective Service System in detail, none of them have recommended change in its independent status;

NOW THEREFORE BE IT RESOLVED, that the Reserve Officers Association of the United States urge the President and the Congress to maintain the independent agency status of the Selective Service System so that it may continue its function, unimpeded - in standby or in wartime - of serving the national security interests of the United States.

Adopted by the National Council
24 February 1978

ATTEST: J. Milnor Roberts

J. Milnor Roberts
Major General, USAR
Executive Director

EPA

STATEMENT OF AQUEONICS, INC.

Mr. BOLAND. Aqueonics, Inc. has submitted the following statement for the record concerning EPA.

[The statement follows:]

AQUEONICS, INC.

SYSTEMS TO RESTORE & PRESERVE
THE QUALITY OF EARTH'S HYDROSPHERE...

April 12, 1978

The Appropriations Committee
Sub Committee on H.U.D. and
Independent Agencies
Capital Building, Room H 143
Washington, D.C. 20515

I address you from the position of: 1) President of the Alternative Wastewater Management Association and 2) President of Aqueonics, Inc.. My background is in practical application of advanced technology applied to: 1) water and wastewater, 2) to the space program, 3) to the nuclear industry, and 4) to the electronics industry. I am a high technology entrepreneur who has been involved in water and wastewater since 1968. Some of my works are published in symposia proceedings of ESNA, IAEA, NSF/EPA.

The Alternative Wastewater Management Association (AWMA) is probably best understood and most succinctly described by its preamble which is as follows:

PREAMBLE

It is undeniable that, in the matter of wastewater management, there is no practice which is universally applicable. All present technologies have advantages and disadvantages in varying degrees, depending on the circumstances. The purpose of this association is to promote the selection of the practices and technologies in each and every circumstance which will manage wastes and wastewater most appropriately.

There are many factors to be considered in the management of waste and wastewater. The most obvious of these factors include: 1) environmental protection, 2) public health, 3) re-use of the product water, 4) cost effectiveness both at the onset and for the intended life of the project, 5) energy effectiveness both initially and in the future, 6) management and responsibility for operations and maintenance, 7) aesthetics, and others. All of these factors need to be evaluated for both today's values and needs, and the likely values and needs throughout the designed life of any waste or wastewater installation.

Aqueonics, Inc., is an eight year old, privately financed, California Corporation which was founded for the express purposes of: 1) bringing advanced technologies into practical use in the water and wastewater worlds, to truly enable reliable environmental protection with cost and energy effectivity and 2) bringing into practical, commercial use in environmental problem solving the tremendous amount of knowledge this Country and the world has accumulated in radiation technology, especially in the beneficial uses of nuclear wastes. In the matter of water pollution, Aqueonics, since its formation, has held the postion that:

> " When mankind has cleansed his wastewater to the point that they cause no environmental pollution, he will have refined that wastewater to a quality better than much of the raw waters being delivered to many cities for processing into "fresh" waters."

With the foregoing as background to "where I am coming from" this address will try to portray for you some of the situations that exist today in the world of wastewater management which make the Clean Water Act of 1977 so important. Much of this about which I will tell you is not common knowledge. Some of it will explain the true motivation of some advocacies you have heard from others. I believe it to be difficult to over estimate the potential for worth of the Clean Water Act of 1977, if properly implemented and if properly funded.

Many of us in this nation have attempted to change or broaden the scope of funding of efforts to control water pollution. We were motivated by the fact that over the strenuous objections of a few knowledgeable people, a concept was imposed upon many parts of this nation and the world which advocated that all wastewater management should entail regionalized collection and centralized treatment, and that BAT (best available technology) would include only that with which sanitary engineers had indepth experience. The universal application of this regionalized/centralized concept has been proven to be disastrously inappropriate. The essentially identical treatment technologies employed in these massive undertakings have also proven to be sadly lacking in effectiveness. Alternative practices and technologies were essentially not even permitted to be considered. Assurance of the consideration of all of the alternatives, and then the intelligent selection of the most appropriate of those technologies for a particular project, is now a very apparent need and is a principal objective of the authors of the Clean Water Act of 1977.

The motivations of those who are, and who have been, the advocates of regionalized collection with centralized treatment are varied, but easily understood. The motivations of the large pipeline manufacturers and contracting firms who construct these pipelines is fairly obvious. The motivation of large engineering

firms who realize their fees as a percentage of total costs of a project obviously want a few large pipeline projects rather than many smaller installations. Also clear are the motivations of engineering firms who design the treatment facilities (who have never had to account for the inadequacies of their most commonly employed processes) who also realize fees as a percentage of cost (even though the designs are often very similar to ones previously used) and who have also realized additional fees for add-on treatment stages because the original plant was incapable of achieving desired levels of pollutant removal, or because new standards were subsequently issued. What suffers from all of this is, obviously, the public getting their monies worth and effective cleanup of our wastewaters.

Not so apparent, but also real, have been the motivations of those who have used the regionalized collection/centralized treatment concept as a land management tool wherein they have made (and continue to make) the lack of a line to the centalized facilities justification for denial of building permits for developers and landowners (thus, in effect condemming the land without compensation to the owners). Another group has an interesting, even though invalid, motivation, and that is that it will be easier to administrate a few regionalized plants than it will be to administrate many smaller plants. These people are generally public employees, and there is even such an association, in part supported by public funds. To both of these groups environmental protection, cost effectivity, energy effectivity, et.al., are of secondary concern, yet they use EPA funding to achieve their principal objectives.

The technologically unknowledgeable among these advocates of regionalized collection/centralized treatment and "accepted" practice are deluded by others into:

1) the incorrect belief that "economies of scale" is applicable in all cases (now proven to be wrong),
2) the incorrect belief that the quality of water produced by large plants is always going to be satisfactory (see EPA's Region VII, 3 year study, conclusively demonstrating that this is not so) and better than that which can be produced by small installations (if permitted, small, advanced technology plants could easily produce a better quality than most large plants in existence today,
3) disregarding the fact that taking all wastewater to the lowest part of a region (regionalized collection does this consistently) makes energy consumption of re-using this water very much higher (because it now must be moved back uphill to reuse site) and a redistribution system much more costly than would numerous small

plants with local, downhill re-use.

4) disregarding the fact that desalinization of salt water is much, much more expensive and energy consuming than desalinization of highly refined wastewater,
5) the incorrect belief that using water as a vehicle to transport wastes is always the best way and that there is no place for alternatives such as using a different vehicle (i.e. mineral oil) or no vehicle at all (i.e. compost toilets),
6) the incorrect belief that a sufficient amount of attention has been given to alternatives in either: a) general practices, b) allocations of funds, or c) research, development and/or demonstration of new, innovative, technology sound processes.

The AWMA represents the complete spectrum of sizes of facilities, degree of sophistication, and technological depth. Manufacturers of compost toilets and septic tank/leach field systems are represented as are manufacturers, engineers, and users of equipment which use nuclear wastes to so thoroughly disinfect and detoxify reclaimed wastewaters that they can be safely, directly re-used, and to so thoroughly disinfect and detoxify sewage sludge that it can be used as an animal food supplement of great worth. The complete range of these technologies are offered with comprehensive operations and maintenance packages wherein professionals are servicing these systems. The cost effectivity, where long pipelines are eliminated is often vastly superior to that of regionalized collection/centralized treatment using "accepted" practices.

Thus, with this as background, it is perhaps more apparent why the Clean Water Act of 1977 can be one of the most important pieces of legislation yet passed by Congress. It's value to this nation may be tremendous. If the forthcoming EPA regulations and the following administration in the Regions' implementing of the Act is in a way to realize the intents of the Act's authors, then full potential of the value of the Act can be realized, assuming it is properly, appropriately funded. We are so far very impressed with EPA's regulation drafting efforts todate, and with Mr. Costle's and Mr. Jorlings' statements todate. We will continue to work closely with the regulation drafting people to insure that the intent of Congress is represented in the regulations.

I ask you to fund this Act with special, generous allocation of funds and attention to such items as:

1. the encouragement of innovative, alternative solutions to wastewater problems,

2. the encouragement of new processes including the commitment to correct for unforeseen difficulties,
3. the testing and demonstration of promising, scientifically-well-supported new processes and systems which are offered by the private sector,
4. the study, research and development within EPA, especially on health and environmental impacts of those microbes and trace chemicals which survive or are created by various treatment processes,
5. the increased funding for EPA's much deeper contribution to simultaneous solutions of problems such as the use of nuclear wastes to convert sludges to animal food supplements of great worth (today, insufficiently funded by Energy with only token participation by EPA and others). (This technology is, in actuality, ready for use today with no risk yet identified).

I hope this address has been sufficiently comprehensive to portray the total "picture" to you and thus enable a better understanding of the importance of this Act and the importance of your funding not only the obvious, but the items I have emphasized.

Thank you for giving us this opportunity to at last speak for the approximately 1/3 of our nation for which it is inappropriate to build regionalized collection/centralized treatment facilities, and to speak for those who have for so long been frustrated in trying to guide this nation into better, more appropriate methods of managing our wastes, even converting them from liabilities into assets.

Sincerely yours,

Niel E. Nielson

Niel E. Nielson,
President

NEN:mb

Camden VA Hospital

Mr. Boland. The following letter was submitted for the record concerning the Camden VA Hospital.

[The letter follows:]

April 17, 1978

The Honorable Edward P. Boland
Chairman, Subcommittee on HUD and Independent Agencies
Room H218, The Capitol
Washington, DC 20515

Dear Chairman Boland:

We support the Veterans Administration Hospital in Camden, New Jersey. As a matter of record, we wish to be associated with the testimony of all of those witnesses who appeared before this Committee on April 11, 12, and 13, 1978, in support of this Veterans Administration Hospital.

Thank you for making this letter a part of the permanent record of the hearings before your Subcommittee.

Sincerely,

Amalgamated Meat Cutters and Butcher Workmen of North America (AFL-CIO)
AFL-CIO Community Services Committee
The Allied Council of New Jersey Veterans Organizations
The American Legion - Department of New Jersey
The American Legion Auxiliary - Department of New Jersey
American Veterans in the State of New Jersey
Bank of New Jersey
BPUM Economic Development Corporation
The Honorable Brendan T. Byrne, Governor, State of New Jersey
Camden County Council on Economic Opportunity, Inc.
Camden County Medical Society
Campbell Soup Company
Catholic War Veterans - Department of New Jersey
Central Labor Union - AFL-CIO of Camden and Gloucester Counties
Community Planning and Advocacy Council of Camden County
Cooper Medical Center (Board of Managers and Medical Staff)
Council of Churches of Greater Camden
Disabled American Veterans - Department of New Jersey
The Honorable Angelo J. Errichetti, Mayor, City of Camden
Greater Camden Movement
Health Systems Agency of Southern New Jersey
Heritage Bank N.A.
Institute for Medical Research
International Union of Electrical Radio & Machine Workers-RCA Conference Board
Langston Division of Molin Machine Company, Inc.
The Legislature of the State of New Jersey

The Honorable Edward P. Boland

MacAndrews and Forbes Company
National Association of VETS Directors
New Jersey Association of Counties
New Jersey Bell Telephone Company - Southern Division
New Jersey Business and Industry Association
New Jersey State AFL-CIO
New Jersey State Chamber of Commerce
PENJERDEL Corporation
Public Service Electric and Gas Company
Puerto Rican Unity for Progress, Inc.
Retail Clerks Union, Local 1630, AFL-CIO
Rutgers University
South Jersey Chamber of Commerce
South Jersey Manufacturers' Association
Southern New Jersey Development Council
Teamsters Local Union 676
United Building and Construction Trades Council of Camden and Vicinity
Urban League of Camden County
Veterans of Foreign Wars of the United States in the State of New Jersey
Weyerhaeuser Company

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CAMDEN VA HOSPITAL

STATEMENT OF THE CAMPBELL SOUP COMPANY

Mr. BOLAND. The Campbell Soup Company has submitted the following statement concerning the Camden VA Hosiptal for the record.

[The statement follows:]

Campbell SOUP Company

CAMDEN, NEW JERSEY 08101

H. A. SHAUB
PRESIDENT

April 18, 1978

The Honorable Edward P. Boland
Chairman, Subcommittee on HUD and Independent Agencies
Room H218, The Capitol
Washington, DC 20515

Dear Chairman Boland:

We have been greatly concerned by the recent decision of the Administration which would eliminate the long planned $75 million Camden Veterans Hospital and substitute instead an out-patient clinic.

There are three principal reasons for asking you to do all in your power to restore the promised hospital so as to:

- Give stability and believability to the conduct of federal affairs so necessary if any real progress is to endure. The commitment exists, the only question is whether it will be honored.

- Meet the clear need for medical care for the 700,000 veterans of the country's military services living in this region.

- Benefit the economy, provide worthwhile jobs and aid in the ongoing revitalization of Camden and the region.

A little more than five years ago, in 1972, a law authorizing the construction of eight Veterans' Hospitals countrywide, including a hospital to serve the Philadelphia-South Jersey region was passed and signed. In 1975, consultants retained by the Veterans Administration were asked to evaluate 25 prime sites for the hospital. In 1976, these consultants selected Camden as the best possible site and this selection was approved by the Veterans Administration and President Ford. That same year, the Congress authorized and appropriated funds totaling $7.5 million for engineering and architectural planning, and the Senate Appropriations Committee stated that the actual planning and design work for the facility should proceed immediately.

The Honorable Edward P. Boland

In January of 1977, the Office of Management and Budget notified the Administrator of Veterans Affairs that the Camden hospital, including a 120-bed nursing home was authorized. In February of 1977, the State was notified in writing of the construction of a new Veterans Administration hospital by the Chief VA Medical Director, John D. Chase, who detailed the need for the hospital and said it would be located adjacent to the Cooper Hospital. In August of 1977, the Veterans Administration wrote to the City of Camden saying that selection of the architectural firm was under way and that a design contract would be entered into no later than October 30, 1977. In January of 1978, the Southern New Jersey Health Systems Agency, Inc., Dr. James Harkness, Executive Director, wrote to Governor Byrne saying it had made formal motions endorsing the appropriation of federal funds for the VA hospital. Special mention was made of the strength it would bring to the College of Medicine and Dentistry's teaching program.

During this entire period from 1972 to January 1978, a monumental effort by a coalition comprised of government at all levels, business and industry and private citizens generated in the area a vitality and enthusiasm which hadn't been seen for decades. The $45 million new Cooper Medical Center plus the VA Hospital and the new State Medical School, became the heart of a health care program. Accessibility to the Complex is aided by a vastly improved mass transit and highway network keyed on the hospitals.

The hospital has been a joint effort on the part of the community, the federal, state and local government over these years and every requirement of the VA has or is being met. More than $2 million of federal, state and local taxpayers' monies have been spent for planning, site preparation and related costs in anticipation of the hospital. The design of the new Cooper Hospital was changed, people were relocated, special roads closed and others constructed, the city Convention Hall was demolished and a large land tract cleared. The Police Administration Building location was moved to be contiguous to the hospital site and major changes were made in the transportation center.

In March, 1978, the House Veterans Affairs Committee and the Senate Veterans Affairs Committee, each reaffirmed their earlier decisions and voted unanimously to authorize the construction of the VA Hospital in Camden.

There is a clear need for the hospital to serve the 700,000 veterans residing in the Philadelphia-South Jersey area based on several demographic studies by the Veterans Administration and the findings of the Master Plan Study completed by independent consultants in 1976.

The Honorable Edward P. Boland

The present number of VA hospital beds per thousand veterans in the Philadelphia- South Jersey area is 0.7 whereas the national average is 3.2 according to VA estimates.

In May of 1977, the General Accounting Office (GAO) was critical of the methods used by the VA in determining the bed size of new and replacement health care facilities. In February of 1978, the GAO redirected its attention to the Camden Hospital and found it "unwarranted."

In addition to the studies by the VA already mentioned, the VA, in a letter to Chairman Mahon on August 8, 1977, adequately answered the GAO May, 1977 report and these same answers are applicable to the GAO report of February 1978.

Based on our own analysis of the GAO report of February 6, 1978, we believe the GAO study is subject to serious questions in that:

- bed needs are understated by the use of community hospital length of stay statistics instead of the more realistic, actual length of stay, statistics provided by the patient experience of existing veterans' hospitals.

- bed needs are understated by not affording sufficient weight to the expected increase in acute care needs and longer lengths of stay as expected due to the veterans' population gain. Simply put, it could be more difficult, perhaps undesirable, to shorten the stay of veterans 65 years of age and older than would be the case with their younger counterparts.

- bed needs are understated by undue reliance on the recent decrease in utilization at the Philadelphia VA hospital. We understand this trend is now reversed or stabilized at 82%.

- bed needs are understated as the slower pace of economic growth and relative fixed incomes in the over-65 years of age category make it increasingly difficult to achieve higher material living standards. As a result, many more veterans in higher age categories will become eligible based on financial need for VA hospital treatment for non-service connected disabilities.

- the computer based model used by GAO in determining the bed requirements was originally designed for a new San Diego Naval Hospital to help in determining the acute care bed requirements for active duty members and their dependents. It is often difficult to adapt a computer based model to a new and different situation.

The Honorable Edward P. Boland

However, the impact of the VA Hospital extends beyond the 700,000 veterans it is to serve. It has become the heart of a program to revitalize and restore Camden, removing it from the role of the nation's ninth most distressed city. The $75 million appropriation for the VA Hospital represents the largest single investment in the Camden renewal plan, which is designed to provide jobs for area residents, attract middle income families back to the city, and attract investment in private office space, industrial, commercial and retail activities.

The VA Hospital can generate 1,000 jobs and 650,000 annual person visits to the City of Camden. By the most conservative estimate, the jobs would contribute over $10 million annually to the local and regional economy. This base of annual cash inflow, together with salaries developed by the construction personnel in building the installation would be a substantial help to the city and region economy.

Despite the comprehensive studies supporting the need for the Camden VA facility, the federal government in January, 1978, questioned it. Budgetary constraints were also cited as a reason for reversing the original affirmative decision. The announcements that the 480-bed VA hospital would be cancelled and replaced by an outpatient clinic destroys in large part the planning and effort of the preceding five years and much of the expectation for the area's medical, physical, and economic renaissance.

We sincerely hope your committee will appropriate the necessary funds for the VA Hospital in Camden. The entire community, public and private, stands ready to do what may be expected of it.

We respectfully request that this statement be made a part of the permanent record of the hearings before your subcommittee on this subject.

Sincerely,

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Mr. COUGHLIN. As these hearings draw to a close, I want to say on my own behalf, and I am sure on behalf of the Chairman, thanks to the staff, both our professional staff and our personal staffs who have been through a long series of hearings here.

I would like to state for the record, as I have previously, that a great deal of what goes on in these hearings, which is really in the nature of oversight, is largely overlooked by the public. Most of our Federal programs, our science programs, our space programs.

We have been sitting here morning and afternoon almost every day of the week since January going over all of the budget requests for all of our community development programs, our housing programs, our veterans programs, our consumer programs, our environmental programs, our science programs, our space programs.

It is a time-consuming and detailed process. This Subcommittee spends a great deal of time trying to examine each of these programs in detail to determine whether the taxpayers' money, the people's money, is being spent in an appropriate fashion.

The staff has been of great service to the country in the detail with which they review these programs and help us to try to evaluate the merits and non-merits of the various proposals.

The hearings are now adjourned to the call of the Chair.

United States Department of the Interior
GEOLOGICAL SURVEY
RESTON, VIRGINIA 22092

In Reply Refer To:
EGS-Mail Stop 730

12 APR 1978

Dr. Frederick B. Henderson, III
President, The Geosat Committee, Inc.
690 Market Street, Suite 1400
San Francisco, California 94104

Dear Fred:

Your letter of April 10, 1978, regarding Geosat initiatives is being studied within the Geological Survey. The revised goals of Geosat for stereoscopic imagery are generally consistent with the letter that W. A. Radlinski sent to you on September 15, 1977. We feel strongly that the spacecraft stability, swath width, resolution, and ground data processing systems need to be examined in more detail than was done in the studies that were restricted to the Applications Explorer Mission (AEM) concept. We agree that stereoscopic imagery is very important for geologic and other investigations but are also convinced that performance characteristics need to be improved with respect to the initial design limitations imposed by the AEM spacecraft. We are interested in participating with you in reaching a mutually acceptable set ot performance specifications for a mission to acquire stereoscopic coverage.

One area that needs special attention is the definition of Landsat compatibility. Compatibility could include many topics such as digital format, nominal scenes, time of day of acquisition, swath width, resolution and frequency of coverage. These are all topics that need clear definition and the technical tradeoffs need to be evaluated in terms of costs and the value of the data.

We look forward to working with you and NASA in reaching an acceptable system definition.

Sincerely yours,

J. R. Balsley
Assistant Director-Land Resources

THE GEOSAT COMMITTEE, INC.
690 Market Street, Suite 1400
San Francisco, California 94104

April 10, 1978

Mr. James R. Balsley
Chief, Land Information and
Analysis Office
U.S. Geological Survey
Reston, Virginia 22092

Dear Mr. Balsley:

Pursuant to our discussions on 5 April 1978, the following are the goals of the Geosat Committee for stereoscopic imagery for the purpose of geologic mapping, petroleum and mineral exploration, and engineering geology:

1. Near-term availability (1980-1981);

2. Worldwide coverage (polar orbit);

3. High resolution (10-20m);

4. Landsat compatibility (sun synchronous orbit, etc);

5. Stereoscopic coverage (0.5-1.0 base/high ratio); and

6. Digital data coverage.

These are the primary requirements from which the specific 1977 "Stereosat" mission was developed. In 1977, we were initially limited to a small Applications Explorer Mission (AEM) type spacecraft, which imposed swath width/resolution tradeoff constraints. Hence, the original 1977 Stereosat design defined a narrow swath width to gain generally acceptable high resolution capabilities. Thus, the original design was simply "one way" of getting the required stereoscopic coverage.

The Geosat Committee is not committed to the 1977 Stereosat design in detail, but we are committed to the goals listed above. If there is a better way to achieve these goals, and at the same time meet the payload characteristics to provide for the needs of other paying users such as cartographers, agriculturists, etc., we would support such a mission if the primary Geosat goals are met.

if the present stereosat funding dialogue for the 1979 NASA budget continues, it is our hope that the U.S. Geological Survey will support our efforts. You may be sure that when we say "stereosat" we are referring to the concepts and not necessarily to the presently defined system. We would invite a joint USGS/Geosat Committee effort to explore mutually acceptable improvements in the 1977 stereosat design.

In addition to digital stereographic imagery, the Geosat Committee also recognizes the need for high resolution, worldwide, color stereographic photographic film coverage. For this reason we have consistently supported and will continue to support the early deployment of and an expanded flight program for the Large Format Camera.

Respectfully,

Frederick B. Henderson, III, Ph.D.
President

In Reply Refer To:
EGS-Mail Stop 730

SEP 15 1977

Dr. Fredrick B. Henderson III
President, Geosat Committee, Inc.
690 Market Street
Suite 1400
San Francisco, California 94105

Dear Fred:

Thank you for visiting me on August 19, 1977, to discuss the progress that Geosat has made during the past year. We are very interested in the conclusions that the Geosat Committee has reached and the recommendations that you have made to NASA. Implementation of these capabilities will constitute important new capabilities in remote sensing that should benefit earth science in public and private sectors.

Your proposal for the Large Format Camera is of particular interest to the Geological Survey for its value as a tool in both geologic and topographic mapping. For your information, the Geological Survey has agreed to request funding to support Large Format Camera missions provided NASA develops and integrates the camera into the Shuttle.

We agree that Stereosat is complementary to the Large Format Camera and of particular value to the global geological community. While the Large Format Camera will be capable of collecting more detailed data over limited areas during the 1980's, Stereosat is designed to provide worldwide coverage within the next few years. We are concerned about the Applications Explorer Mission approach to Stereosat. This relatively small spacecraft cannot be expected to have adequate stability to obtain stereoscopic coverage of a quality that could be used for production of medium- to small-scale topographic maps. While we realize that topographic mapping is not a primary objective of Stereosat, we believe that the merits of increased geometric control should be considered in future missions.

Another topic of mutual interest is the 2.2 micron band proposed for the Thematic Mapper on Landsat-D. As you are aware, the USGS, in cooperation with the Jet Propulsion Laboratory, has been deeply involved in the field and aircraft studies on the value of this spectral band for the identification of mineralized areas. We have expressed our support for this spectral band to NASA. A new interagency advisory group on technical problems is being established by NASA that will consider the use of this spectral band. We will continue to recommend the 2.2 micron band for the 7th channel on Landsat-D provided the detectors are available to implement this capability.

We look forward to continued discussions with you on methods to solve the many geologic and earth science problems that are of common interest.

Sincerely yours,

W. A. Radlinski

Acting Director

cc: Gordon Swan
General Files
Director's Chron
J. Balsley
J. DeNoyer
A. England
LIA Chron
Chron

EROS/JDeNoyer/lg/9-9-77/860-7881
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WITNESSES

	Page
Adkisson, Perry	159
Anderson, Don	159
AuCoin, Hon. Les	186
Bedell, Hon. Berkley	180
Bohlender, Adolph	392
Bonker, Hon. Don	410
Boothby, Charles	518
Broder, J. N	532
Brown, Hon. George	24
Byron, Hon. G. E	70
Cain, M. G	346
Cantlon, John	214
Carmen, E. C., Jr	118
Case, Hon. Clifford	212
Cheston, T. S	261
Coan, C. A. S., Jr	156
Collins, B. T	261
Conte, Hon. S. O	118
Cooper, J. A. D	333
Coriell, L. L	358
Cortese, A. D	478
Degnan, Hon. J. J	1
Dolbeare, C. N	88
Dreeszen, Ron	186
Duncan, Hon. Robert	15
Edgar, Hon. Robert	60
Eller, John	110
Errichetti, A. J	43
Feilman, Don	294
Florio, Hon. J. J	1
Forsythe, Hon. E. B	391
Frye, D. B	140
Gibson, K. A	239
Glazer, R. B	414
Goodloe, Hon. E. B	1
Gore, Hon. Albert, Jr	80
Grey, Jerry	226
Handley, Hon. J. M	32
Hanes, N. B	574
Harrison, Hon. William	212
Henderson, F. B	498
Hull, L. A	159
Hychka, S. C	150
Joeckel, C. E., Jr	294
Johnson, Harvey	599
Johnson, Hon. James	392
Jones, R. T	186
Keller, I. C	186
Larson, R. G	345
Leggett, Hon. Robert	373
Longstreth, Thatcher	358
Lord, E. J	274
Lyngh, R. E	274
Mahon, Hon. George	159

	Page
McCormack, Hon. Mike	410
McHugh, Hon. M. F	414
Milford, Hon. Dale	56
Millman, Richard	532
Mills, Frank	261
Murphy, Hon. John	373
Newsom, L. Dale	159
O'Toole, J. D	1
Pars, Harry	592
Phillips, J. R	159
Pratt, L. L	358
Raposa, Bob	2
Riechman, Rosalie	126
Rose, H. G	325
Ruckmick, John	498
Salter, L. S	249
Schwab, D. H	289
Scott, J. M	84
Selden, Dave	1
Sheffey, J. P	322
Shepherd, David	519
Shorman, John	333
Smith, H. J	132
Stockman, Hon. Dave	66
Styer, T. W	159
Swisher, Roger	564
Thomas, A. B	392
Waetjen, Walter	51
Westley, John	345

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