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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS FOR 1978

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON HUD—INDEPENDENT AGENCIES

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PART 7

NEW YORK CITY SEASONAL FINANCING FUND TESTIMONY OF MEMBERS OF CONGRESS AND OTHER INTERESTED INDIVIDUALS AND ORGANIZATIONS

Printed for the use of the Committee on Appropriations

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HUD-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1978

DEPARTMENT OF THE TREASURY

NEW YORK CITY SEASONAL FINANCING FUND

THURSDAY, MARCH 31, 1977.

WITNESSES

ROGER C. ALTMAN, ASSISTANT SECRETARY-DESIGNATE (CAPITAL MARKETS AND DEBT MANAGEMENT)
DAVID HERSHIPS, DEPUTY DIRECTOR, OFFICE OF NEW YORK CITY FINANCE
SHIRLEY E. BRUFFEY, DEPUTY BUDGET OFFICER
NEAL HEALEY, MANAGER, NEW YORK CITY OFFICE
ARTHUR KALLEN, DIRECTOR, OFFICE OF BUDGET AND PROGRAM ANALYSIS
MORTON EGOL, PARTNER, ARTHUR ANDERSEN AND CO.

Mr. BOLAND. The committee will come to order. We are delighted to have with us today the representatives of the Department of the Treasury, New York City Seasonal Financing Fund.

With us is Roger C. Altman, the Assistant Secretary-Designate for Capital Markets and Debt Management. We will place your biographical sketch in the record at this point.

[The biographical sketch follows:]

ROGER C. ALTMAN

February 1977 to Present—Assistant Secretary of the Treasury Designate (Capital Markets and Debt Management)

Upon confirmation, would be responsible for Treasury's activities in debt management, capital markets, and State/local finance.

August 1976 to January 1977—Carter/Mondale Transition Planning Group

A member of the economics transition team, during the pre-election period, and subsequently responsible for actual transition vis-a-vis the Treasury Department.

November 1974 to February 1975—Carey Select Commission on New York State Public Authorities

Appointed by Governor Carey as a member of this commission, comprised of 25 civic and business leaders, to evaluate the purpose and related efficiency of the 41 State Authorities. Jointly presented a series of recommendations concerning the role of the New York State Transit Authority.

July 1969 to January 1977—Lehman Brothers, New York City

Through January 1977, was a general banking partner in this international investment banking firm. In 1974, became the youngest partner in Lehman Broth-

ers' post-World War II history. In 1975, named by the Institutional Investor as one of the 10 outstanding U.S. investment bankers under 40.

Was responsible for servicing the domestic and international investment banking needs of approximately 15 clients, operating in numerous major industries. Devised optimal financing strategies for these companies and implemented them through public underwritings and private placements of their securities in the United States, and through Euro-currency offerings, parallel loans and other financings abroad. Handled approximately $1.5 billion of such financings during the past 8 years. Also, regularly initiated and expertised prospective mergers, joint ventures and other business combinations.

1969—Presidential primary campaign aide to Senator Robert F. Kennedy

One of several directors of Illinois and Indiana canvassing efforts during the March–May period of 1968.

1967–69—University of Chicago Graduate School of Business, Chicago, Ill.

Received M.B.A. in May 1969 with concentration in finance and several courses in international economics and governmental affairs. Education self-financed.

1963–67—Georgetown College, Washington, D.C.

Received A.B. in June 1967 with major concentration in political science and minor in philosophy.

Personal background

Married to Barbara Watt Altman. No children. Raised in Boston, Mass. and graduated from Roxbury Latin School there. Major concentration in classical languages.

Mr. BOLAND. You haven't been confirmed yet?

Mr. ALTMAN. No, sir.

Mr. BOLAND. If you are good today, we will confirm you after this meeting.

We also have with us Morton Egol, Neil Healey, Arthur Kallen, Shirley Bruffey, and David Hershipps.

If you are good at this, you may be able to straighten Boston out after you get through.

I see you are from Roxbury.

Mr. COUGHLIN. He can go to Philadelphia after that.

Mr. BOLAND. We are delighted to have you.

You are before this committee today to request $1,250,000 for administrative expenses of the New York seasonal financing fund in fiscal 1978. This is the same amount as appropriated in fiscal 1977. We will also be using this opportunity to ask you about various aspects of the credit agreement between the Department of the Treasury and New York City, the State of New York, and the New York State Emergency Financial Control Board.

We will be pleased to hear you.

GENERAL STATEMENT

Mr. ALTMAN. I'm happy to be here today to talk to you about the activities of the Treasury relative to the New York City Seasonal Financing Act of 1975. I have submitted an appendix which goes into greater detail on some of the items.

Mr. BOLAND. I have read it and you can highlight your statement or handle it anyway you want.

Mr. ALTMAN. Our appropriation in fiscal 1977 was $1¼ million and the administration is requesting you to appropriate the same amount for the coming fiscal year.

We think this appropriation will enable us to continue our present level of monitoring efforts, but perhaps more importantly, particularly permit us to evaluate New York City's prospective solvency during the post-1978 period, that is after the act expires.

I will start by summarizing the loan program itself.

I'm sure you are familiar with its basic parameters. For the 9 months ended today, the Treasury has extended $2.1 billion in short-term loans to the city to satisfy a portion of its seasonal cash needs. The loan schedule in the appendix indicates these will all be repaid during the period from April 15 to 30, 1977.

The loans are repaid out of the city's general cash flow, but they specifically collateralized by aid payments from New York State which flow directly into a Treasury account before they are released to the city.

These State aid payments presently are estimated to be $2.5 billion between now and June 30, 1977, or nearly $300 million more than is required to repay the Treasury loans outstanding.

I have provided a more detailed statement on that point. Our expectation today is that these loans will be repaid as they were last year on or about ahead of schedule. I thought it would be useful at this point to briefly summarize where the city stands in relation to the basic financial plan which it adopted late in 1975, the objective of which is a balanced budget for its fiscal 1978.

I think you know in November 1975 the city negotiated a multi-billion dollar loan program which included $2½ billion over 2½ years of loans from the city's pension systems, as well as $800 million in seasonal loans from the State, both through June 1978.

The Municipal Assistance Corporation also since that time has funded nearly $3 billion in city notes.

Secondly you are also aware that in late 1975, State laws passed which established the emergency financial control board to oversee the city's finances and in particular its efforts to achieve a balanced budget by fiscal 1978.

Thirdly the city has reduced its overall payroll expense by approximately 8 percent or some 60,000 employees. I should say here that my statement sent to you a couple of days ago provided the figures 50,000 and that is not correct. It should be 60,000.

The city reached an agreement with its unions to freeze general wage levels through 1978 and reduce fringe benefits.

Last, the city has in the latter development states a financial management system which would enable it to provide much more reliable financial data and much better recognition of revenues and control of expenses than it has had in recent years.

Pending the installation of this system, they have adopted four interim systems to improve financial information.

Despite these steps, there is a lot to be done in the remaining 15 months of the financial plan. In January, the city officials estimated a $606 million deficit for fiscal 1977 ending June 30. Of course, if the fiscal 1978 budget is to be balanced, this deficit must be eliminated.

Mayor Beame released earlier in the year a plan for eliminating it. It is premature to draw a definitive conclusion about the soundness of that plan. We are awaiting submission of the actual budget to the

EFCB and it is our responsibility to scrutinize it before the Secretary decides whether to renew the seasonal loan program for the third and final year. I thought at this point it might be useful to describe some of the aspects of the most recent loan decision which were widely publicized and the events which surrounded it.

The city was faced with a serious cash crisis stemming from the November 1976 decision by the State court of appeals holding unconstitutional the moratorium. The court invalidated what had been a suspension of $1.8 billion in principal payments on the New York City notes. The practical effect of that was to accelerate to early 1977 the city's obligation to pay that amount, rather than in 1979, as the city had planned. After that court decision, the city entered into negotiation for obvious reasons in an effort to finance the $1.8 billion.

The unions and banks deferred payment on $800 million of those notes which they held and thus reduced the need to $1 billion.

On February 1 the court directed the city to begin payments within 45 to 60 days. The pace of negotiations quickened, city officials continued efforts to formulate a financial plan involving new commitments and the overall support of its banks and the Union Pension Funds which are its two basic lenders.

They were not able, however, to develop a plan which both could support.

At the same time the Union Pension systems suspended their $2½ billion, 2½-year scheduled loan to the city which I referred to a few minutes ago.

They did so reflecting concern over the absence of a plan to finance the billion dollar obligation which was imminent.

Without those continued pension fund loans the city was threatened with near-term insolvency.

On that basis it approached the Treasury requesting a $255 million loan. Secretary Blumenthal, at that time, however, indicated reservations over the loan request, noting that the absence of a plan to raise that billion connoted obviously uncertainties about the city's ability to repay the $255 million requested from us.

Negotiations between the city and banks were suspended and a financial plan using internal financial sources and MAC was developed.

It was submitted to the Emergency Financial Control Board on March 10, approved by the board and submitted to the Treasury.

Reflecting that plan, the Union Pension systems agreed to resume their loans.

Secretary Blumenthal said the plan was adequate to finance that portion of the million dollar moratorium payment needed by June 30, the maturity date of the $255-million loan they are receiving from us.

I would like to turn now to our activities during the remainder of this Federal fiscal year, the period between now and September 30.

During the next 3 months, together with Arthur Andersen and Company, we will be reviewing the city's performance against its budget for the current fiscal year which ends June 30, 1977. Such a review will be crucial to our assessment of the 1978 budget.

Secondly, we will be scrutinizing the city's proposed 1978 budget, when it is submitted in mid-April.

The credit agreement requires in effect that a balanced budget be submitted and it will be our responsibility to assess whether or not the

budget submission reflects a balance. On that basis we will recommend to Secretary Blumenthal whether or not the third-year program ought to be undertaken.

We also will be reviewing at the same time the progress of this billion dollar moratorium financing.

We want to see if the city can handle the maturity of each of our loans during this period.

I want to tell you what we will do in fiscal 1978, the Federal budget year.

Beyond reviewing the city's loan requests, we will naturally have to review regularly the city's 1978 budget as we are reviewing regularly now the 1977 budget, to determine that the impending budget remains in balance.

If it is not in balance and another deficit is facing the city, repayment of our loans could be and would be jeopardized.

Let me conclude, Mr. Chairman, by describing what I think is a key aspect of our work and a new one during this coming year.

It seems to me that we must evaluate carefully the city's prospect for solvency in the post-1978 period after the expiration of this legislation.

The question I think is obvious, whether New York City can meet its annual $3 billion in seasonal financing and approximately $1 billion in capital needs, if the Federal seasonal loans terminate when the act expires in June 1978.

At this point it is too early to tell. However, as that time gets closer, we will be able to report, and I believe we will be asked to report, to the Congress on the city's progress.

One key indicator will be that the present agreement requires that each loan request from the city during fiscal 1978, assuming we do renew the loan program for that year, must contain a certification by the city that it has tried to obtain financing on its own, before asking us.

Those periodic certifications will help us to determine if the city can finance itself beyond the 1978 period.

It is for these tasks that we are asking that you appropriate $1¼ million. We will be spending 30 percent of this amount on staff compensation.

Our personnel are located in the Treasury in Washington, and we have a small office in New York City.

As the accompanying documents submitted by our budget office indicate, the New York office is responsible for overseeing the work of Arthur Andersen and Co., reviewing cash reports and other city reports.

The Washington aspect covers looking at the Federal aid levels of the city, processing loan requests and loan repayments.

Lastly, about 50 percent of our budget will be spent to compensate our consultants, Arthur Anderson and Co. Arthur Anderson evaluates the city's plans with us and has been evaluating them.

Thank you very much.

Mr. BOLAND. Thank you, Mr. Altman. We will include the appendix to your statement in the record at this point.

[The appendix follows:]

APPENDIX TO TESTIMONY OF ROGER C. ALTMAN, ASSISTANT SECRETARY-DESIGNATE (CAPITAL MARKETS AND DEBT MANAGEMENT), DEPARTMENT OF THE TREASURY

I. THE ACT

The New York City Seasonal Financing Act of 1975, Public Law 94–143, was enacted on December 9, 1975 and expires June 30, 1978. During this period, the Secretary of the Treasury may authorize up to $2.3 billion in short-term loans to the city of New York to maintain essential services. The act reflects Congress finding that: "it is necessary for the city of New York to obtain seasonal financing from time to time because the city's revenues and expenditures, even when in balance on an annual basis, are not received and disbursed at equivalent rates throughout the year."

The act permits the Secretary of the Treasury to authorize these loans provided he first "determines that there is a reasonable prospect of repayment." All loans must be repaid with interest by June 30 each year, when the city's fiscal year ends.

II. THE CREDIT AGREEMENT

To execute the provisions of Public Law 94–143 the Secretary of the Treasury entered into a comprehensive credit agreement with New York City, the State of New York, and the New York State Emergency Financial Control Board on December 30, 1975.

The credit agreement provides conditions to the making and repayment of loans. Pursuant to the agreement, the city covenants that each loan will be a general obligation of the city to which it pledges its faith and credit. The city also must prepare a monthly statement describing its financial position as well as other reports. Another key provision of the agreement calls for the city to install a new accounting and financial control system (referred to in part V of this appendix) which would allow an audit to be performed for the city's fiscal year ending June 30, 1978. Additionally, the city must attempt to meet its seasonal credit needs in the private sector before requesting a loan from the Treasury for its fiscal year starting July 1, 1977.

III. LOANS

During its fiscal year ended June 30, 1976, the city borrowed and repaid $1.26 billion punctually and with interest (see table I). During the current fiscal year, the city has borrowed $2.1 billion and will repay these loans between April 15 and June 30, 1977. Next year, the final year of this program, the city is projected to borrow $1.9 billion.

The interest rate on Treasury loans under this act is fixed by statute at 1 percent above the rate on outstanding Treasury issues of comparable maturity. The city's borrowing rate was 6.43 percent during the past fiscal year and 6.53 percent during the current fiscal year (see table I).

As a result of this interest differential, Federal revenues during the 6½ months ended June 30, 1976, exceeded borrowing costs and administrative expenses by approximately $3.3 million. During the year ending June 30, 1977, it is estimated that Federal revenues will exceed Treasury's borrowing and administrative costs by approximately $12.6 million. During the final year of the program, the excess revenue will be smaller due to the projected reduction in borrowing. However, it is still likely to be in excess of $10 million.

IV. THE CITY FINANCIAL PLAN

A. The city financial plan is designed to eliminate its expense budget deficit by its 1978 fiscal year. Last fiscal year (1976) the city's operating deficit was $968 million, $83 million better than planned.

B. Fiscal 1977:

1. The city's operating budget deficit is forecast to be lower than projected when the city's plan was revised last June. The city's plan projected an operating budget deficit for the current fiscal year of $686 million. The city's latest financial plan statement, however, now forecasts a deficit of $606 million, $80 million less than planned.

The principal reason for this improved forecast is a $127 million favorable variance in general fund revenue—principally due to higher than anticipated

receipts from countercyclical revenue sharing, sales taxes, corporate taxes, and other smaller city taxes.

2. Capital expenditures are forecast to be less than planned. The city's plan originally projected $650 million in expenditures for capital items; the current forecast is now $590 million.

3. The plan calls for reducing operating expenses in the capital budget from $654 million during fiscal 1976 to $572 million during the current fiscal year. The plan is currently on target.

V. ACCOUNTING SYSTEMS (IFMS)

A key element in the city's fiscal recovery plan is improved systems. Prior to December 1975, the city had no integrated information system. When the emergency financial control board requested a comparison of actual revenues and expenditures to budget projections for the first half of 1976, the city was unable to respond. Furthermore, several reports had been issued, including one by Treasury's consultants, Arthur Andersen and Co., that questioned the reliability and accuracy of financial data in the city.

VI. INTERIM SYSTEMS

The city's principal longer-term objective is to install its integrated financial management system (IFMS) on July 1, 1977. The city has budgeted $16 million for this purpose. However, in the interim, the city has provided the detailed monthly reports required by the credit agreement with the Treasury Department. It has also installed four interim systems to improve the reliability of the financial data:

(1) The monthly encumbrance control system reports purchase commitments.

(2) The quarterly allocation system compares actual vouchered expenses against monthly and quarterly budgets.

(3) The personnel ceiling control system monitors changes in personnel levels.

(4) The aid management program provides monthly estimates of State and Federal aid.

If implemented as planned, IFMS will probably represent the most advanced and complete data based computer system in the public sector. This system represents a complete restructuring of the city's budget, accounting, and management information systems. It should provide the financial management information required to manage the city. The reliability of the system, however, will necessarily depend in large measure on the training and diligence of the city personnel at the agency level.

VII. MORATORIUM

One of the most important components of the city's financial plan is the Moratorium Act. Enacted in November 1975, this law permitted the city to defer repayment on approximately $2.4 billion in city notes, which were due to mature between December 1975 and March 1976, until fiscal 1979.

Of the original moratorium notes, $616 million were exchanged for second resolution MAC bonds during 1976. Another $548 million are held by the New York City clearinghouse banks and $271.5 million are held by the city pension systems. The balance, $984 million, are in the hands of the public.

Thus, by November 19, 1976, there remained approximately $1.8 billion in outstanding city notes still subject to the Moratorium Act. On that date, New York State's highest court found the Moratorium Act to be unconstitutional. The court instructed the city to develop a plan for prompt repayment of the $1.8 billion in notes outstanding. On February 8, 1977, that court established a procedure and timetable for repayment, as follows.

First, all individual noteholders were to be repaid within 30 days after certification of their holdings by a lower court. It is uncertain how many notes fall into this category although estimates range between $250 million and $550 million.

Second, all other holders were to be repaid within 6 months after certification of their holdings. Finally, the rights of the banks and the pension funds who had previously agreed to extend the maturity of their city notes were to be adjudicated by a lower court.

The key elements of the city's plan to raise the $1 billion to repay Moratorium noteholders are as follows:

(1) $410 million through sale of Mitchell-Lama mortgages held by the city with an original value of nearly $1 billion.

(2) In excess of $250 million through an exchange offer by MAC to holders of Moratorium notes. This is underway and appears to be successful.

(3) $159 million through purchase of city or MAC bonds with surplus city cash.

(4) $90 million through deferred repayment of principal on MAC bonds held by city pension and sinking funds.

VIII. MARKET FOR CITY AND MAC SECURITIES

There has only been one new security sale, a $250 million MAC bond issue, during the past year and two MAC exchange offers, one of which is currently underway. Volume figures for the municipal bond secondary market are not reported.

New York City bonds

The reoffering yields on New York City bonds in the secondary market have improved during the last year. Last year the yield to maturity on a typical city bond due in 2 to 5 years would have been as high as 15 percent. Presently, typical city bonds are yielding between 9 percent and 10 percent to maturity. Last year's 15 percent yield was roughly three times greater than the yield to maturity of the typical Baa rated general obligation bond of comparable maturity. Currently, representative city bond yields are approximately only twice the yield of the average Baa rated general obligation bond of similar maturity.

New York City moratorium notes

City notes under moratorium which traded at prices in the sixties last year are currently trading at 98–99 as a result of the impending redemption of the notes by court order and the MAC exchange offer.

MAC bond prices

MAC bonds which yielded as much as 12.5 percent last year now yield between 8.75 percent to 9 percent. The yield spread between MAC bonds and the bond buyer twenty bond index has, as can be seen on the attached charts, narrowed from as much as 500 basis points during June 1975 to 300 basis points currently. Last November, MAC sold a $256 million issue publicly.

Additionally, MAC currently is exchanging its 9¾ percent second resolution bonds for city notes, as part of the moratorium financing plan. Over $200 million notes have been submitted to date.

IX. THE POST-PLAN PERIOD

The city's current financial plan extends through June 30, 1978, the expiration date of present legislation. During this period, the city is financing its operating deficits and capital requirements through a combination of internal sources and financing commitments from the Municipal Assistance Corp., the city pension funds, banks and the State. Seasonal financing is provided by the Federal Government under this act.

If the city meets this plan's objectives, it will have eliminated its operating budget deficit, curtailed capital expenditures and reduced annual operating expenditures in the capital budget. On this basis, it is hoped the city would be able to meet its financing requirements in the capital markets.

The city has estimated its requirements for the year beginning July 1978, at approximately $4 billion: $1 billion to finance capital expenditures and operating expenses in the capital budget; and, approximately $3 billion in short-term financing, currently provided by the seasonal loan program and New York State advances. It is premature to judge New York City's ability to raise these amounts without continuation of Federal seasonal financing assistance.

TABLE I.—NEW YORK CITY SEASONAL LOAN PROGRAM BORROWING AND REPAYMENT SCHEDULE

Year and borrowing date [1]	Repayment date	Amount (millions)	Interest rate (percent)	Interest due (millions)
Fiscal year 1976:				
Dec. 18, 1975	Apr. 16, 1975	$130	6.92	$2.958
Dec. 31, 1975	May 18, 1976	240	6.68	6.105
Jan. 15, 1976	Apr. 16, 1976	140	6.13	2.163
Feb. 11, 1976	June 18, 1976	250	6.29	5.516
Feb. 17, 1976	June 25, 1976	80	6.26	1.770
Do	June 30, 1976	100	6.26	2.298
Mar. 1, 1976	June 25, 1976	250	6.39	5.077
Mar. 15, 1976	do	70	6.33	1.238
Total		1,260	6.43	27.124
Fiscal year 1977:				
July 1, 1976	Apr. 15, 1977	500	7.37	29.076
July 16, 1976	Apr. 20, 1977	150	7.02	8.020
Do	May 20, 1977	200	7.10	11.982
Aug. 4, 1976	do	225	7.04	12.541
Dec. 1, 1976	June 30, 1977	200	5.85	6.763
Dec. 8, 1976	do	200	5.83	6.516
Dec. 22, 1976	do	200	5.73	5.965
Dec. 30, 1976	do	170	5.75	4.874
Mar. 14, 1977	do	255	5.92	4.466
Total		2,100	6.53	90.207
Fiscal year 1978:				
July 1977		850		
September 1977		100		
October 1977		50		
November 1977		100		
December 1977		400		
February 1978		200		
March 1978		200		
Total		[2] 1,900		

[1] City's fiscal year ending June 30.
[2] Tentative repayment dates; $650,000,000 in April; $400,000,000 in May; $850,000,000 in June.

TABLE II.—SOURCES FOR REPAYMENT OF TREASURY LOANS

	State payments available which finance these maturities	Amount due (including interest) ($1,000,000)	Repayment date
Seasonal advance	400		
Education subsidies	208	529	Apr. 15, 1977
Welfare subsidies	197	158	Apr. 20, 1977
Total available	805	687	
Seasonal advance	200		
Education subsidies	200		
Welfare subsidies	197		
Total available	597	449	May 20, 1977
Seasonal advance	200		
Education subsidies	204		
Welfare subsidies	242		
State revenue sharing, stock transfer, and sales tax	435		
Total available	1,081	1,054	June 30, 1977
Grand total	2,483	2,190	

TABLE IIIA

Average Weekly Yield MAC Bonds (1976)

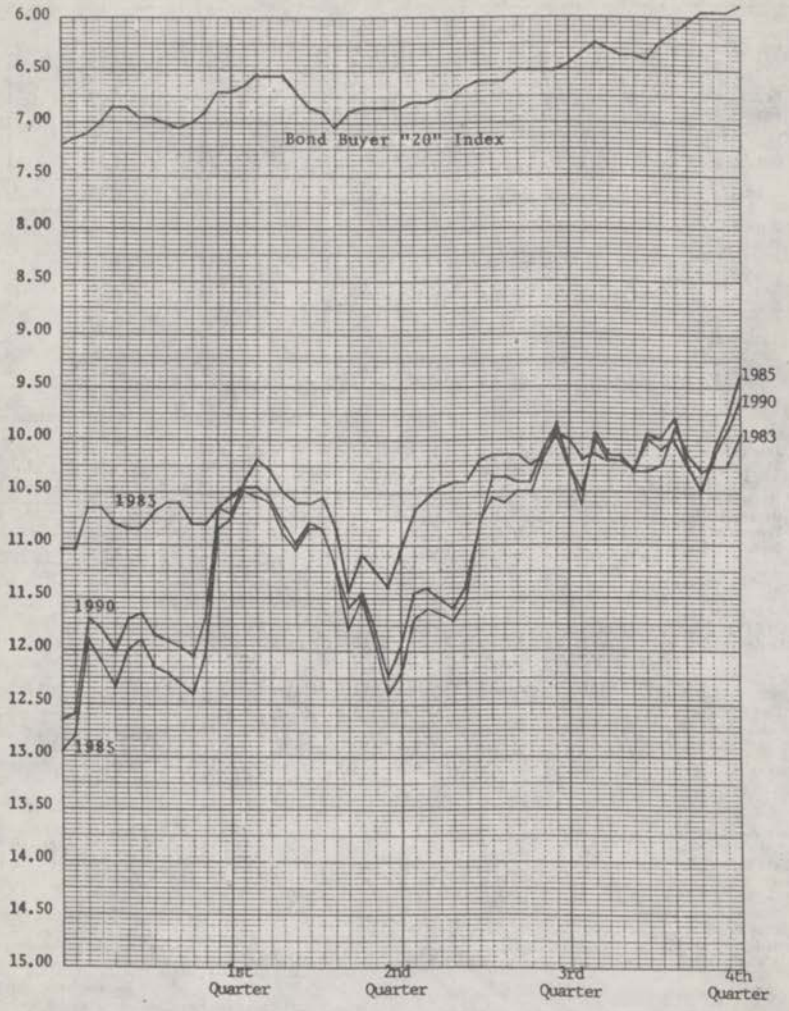


TABLE IIIB

Average Weekly Yield MAC Bonds (1975)

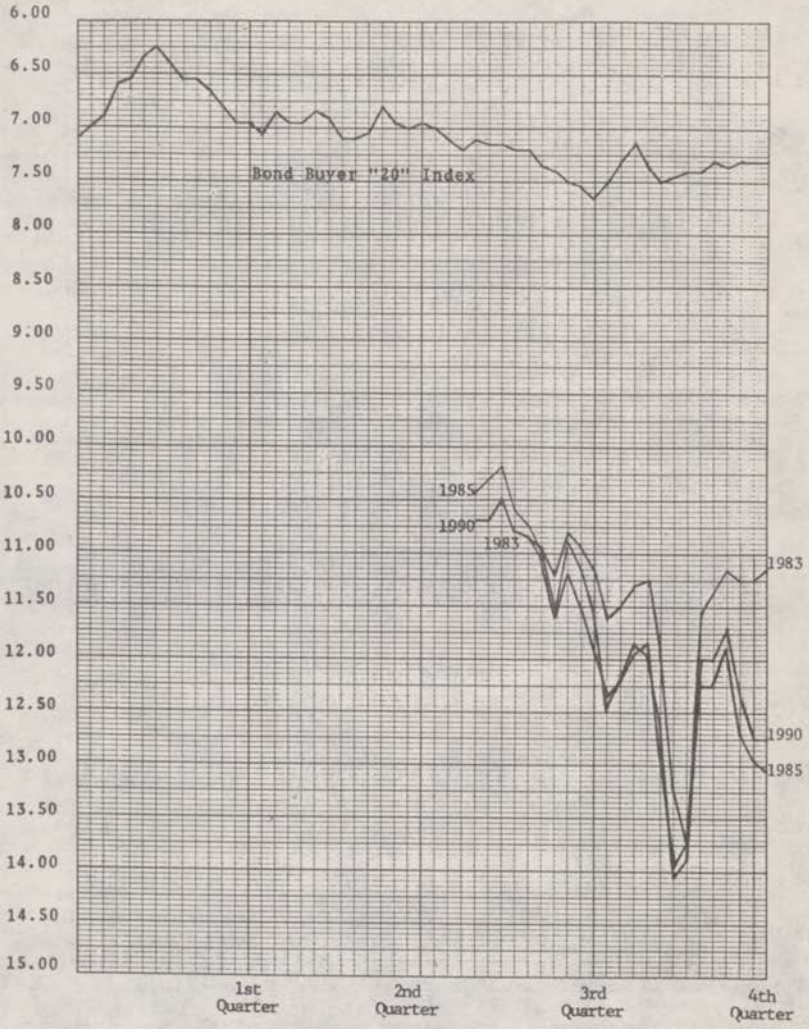
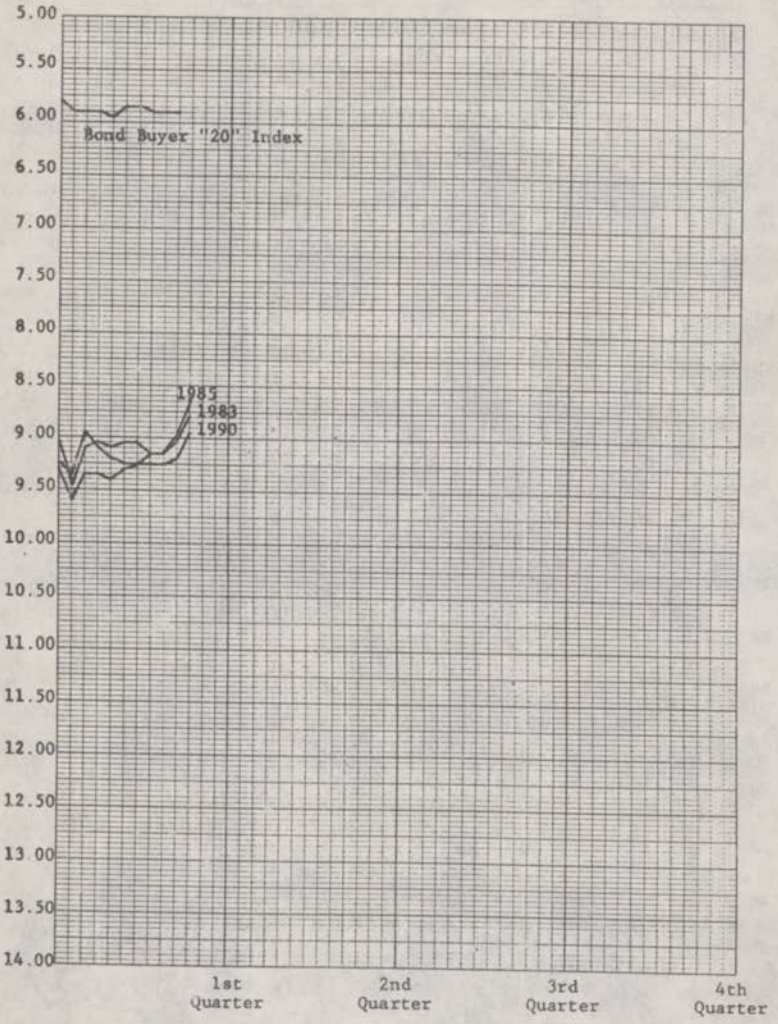


TABLE IIIC

Average Weekly Yield MAC Bonds (1977)



NOTES TO ATTACHMENT II

MUNICIPAL ASSISTANCE CORPORATION BOND YIELDS

The MAC first resolution bond yields were calculated from daily bid prices published in the Wall Street Journal Yields were calculated by the Federal Reserve Board of Governors and the Office of New York Finance. Sources: Wall Street Journal and Expanded Bond Values Tables. Financial Publishing Co., Boston, Mass.

BOND BUYER "20" INDEX

The Bond Buyer Twenty Bond Index services as relative measure of the average yields of long term municipal bonds. The average rating of the 20 bonds

used in this index falls midway between the four top groups classified by Moody's Investors Service. Source: Daily Bond Buyer.

FEDERAL GOVERNMENT RESPONSIBILITY

Mr. BOLAND. With respect to the philosophy of this administration and Secretary Blumenthal and yourself vis-a-vis former Secretary Simon and Secretary Gerard, is there any difference in the philosophy on how the financing of the city of New York ought to be handled with respect to the Federal Government's responsibility or its ability to assist?

Mr. ALTMAN. I think that the responsibilities we have under the act are largely those of financial monitoring and don't differ in that regard. As between this administration, the Treasury and the former one, we have not faced a situation yet, Mr. Chairman, where I think there has been a difference and I don't know at this point whether we will face any where there will be.

Mr. BOLAND. I get the feeling that Secretary Simon and Secretary Gerard were rather firm in their dealings with the city of New York with respect to agreements which could be reached with the city, with MAC and with all those involved in that. I think that was demonstrated time and again by Secretary Simon. I presume that Secretary Blumenthal's attitude is about the same, is it not?

Mr. ALTMAN. I think it's about the same.

CREDIT AGREEMENT

Mr. BOLAND. According to the Credit Agreement the City must attempt to meet its seasonal credit needs in the private sector before requesting a loan from the Treasury for its fiscal year starting July 1, 1977. How will the city of New York accomplish this? What will satisfy the Department of the Treasury that a good faith effort has been made to accomplish this?

Mr. ALTMAN. I think that we're in such close contact with the city that our judgment as to whether they have made a good faith effort or not to obtain financing on their own, will be soundly based at the time each loan request in fiscal 1978 might be submitted to us.

Naturally, there are different ways in which the city can try to obtain financing on its own. The most obvious, I think, of which is to literally prepare an offering circular and assemble an underwriting group and try to sell securities.

There are other ways where judgments can be made without having to go to that point. I would say, based on my own personal background, that most often a decision or a judgment can be reached through conversations with knowledgeable people in the financing community as to whether or not it would be feasible or not feasible for the city to obtain financing on its own without having to go all the way to that point.

Mr. BOLAND. What was the total amount of bonds sold by MAC last year?

Mr. ALTMAN. Sold for cash, only $250 million.

Mr. BOLAND. Is that another provider that will be considered this year, additional sales of bonds by MAC? What is the consideration in this area?

Mr. ALTMAN. I think it will be considered. I think it's fair to say that the city is very interested, as evidenced by its efforts in the moratorium note negotiations, to begin to finance itself. The efforts that were made between the November court decision and February 7 and somewhat after February 7, I should say, reflected negotiations around the question of financing by the city and what requirements in terms of the design of a city bond would be required to accomplish a financing by the city.

During the next few months, I believe, negotiations under a less pressured atmosphere without $1 billion obligation within a matter of days, will take place and there are conversations going on now about this, as to what type of controls or monitors inherent in such a city bond will be required and all aiming toward the city's trying to finance itself.

I think those will be good faith efforts and so the answer—my answer to your question is yes, it's something to be considered, not just by MAC but by the city itself.

ANTIRECESSION FINANCIAL ASSISTANCE FUNDS

Mr. BOLAND. Do you have any idea how much the city of New York has received under the antirecession financial assistance program for the first three quarters? That's a 5-quarter payment. The city of New York has received three payments and will receive another one in the next quarter and the final one in the fifth quarter. How much has the city received?

Mr. ALTMAN. I understand the city has received $62 million.

Mr. BOLAND. What has it done with it?

Mr. ALTMAN. I will supply an answer for the record.

Mr. BOLAND. I know you're familiar with the fact that these grants will be made to the city of New York and whether or not they are being held in reserve or used. There is a commitment under the law to expend it during a certain period of time. That time has not expired yet for the city of New York.

Mr. EGOL. I want to check it but they have been used for the operations of the city.

Mr. BOLAND. And not held in reserve?

Mr. EGOL. Yes.

[The information follows:]

USE OF COUNTERCYCLICAL REVENUE SHARING

This question was apparently raised because the City's Monthly Financial Plan statements show an increase in the contingency reserve, originally established at $100 million, to $168 million, and it is stated in the report that the increase is due in part to the receipt of countercyclical revenue-sharing funds.

The fact of the matter is that such funds have been expended to fund normal operations of the city. A separate bank account to hold these funds for a special purpose was not established. The city's decision to increase the provision for

contingencies by an amount equivalent to the receipt of countercyclical revenues, a mere bookkeeping entry, does not obviate the fact that such funds have been expended in the ordinary course of operations. The city has been asked to document the requirements of the contingency reserve and any excessive amounts will be adjusted at yearend.

It also must be recognized that the city is operating at a deficit this year of about $600 million and cash received would certainly be expended.

NEW YORK CITY PAYROLL REDUCTION

Mr. BOLAND. I noted in the New York Times today an article which confirms what you said about the reduction in the number of employees from the December 31, 1974 total of 294,000, to a total of 238,624 reported in the last figures of 1976 which is about 56,000 less. There were probably an additional thousand between September and this date. There has been a reduction in the overall payroll expense by better than 8 percent.

You mention in the same paragraph that the city has reached an agreement with its unions to freeze wage levels through June 1978 and to reduce fringe benefits. Does that mean that no municipal employees have received a pay increase?

Mr. ALTMAN. No; it does not mean that because there have been certain cost of living adjustments, keyed to productivity increases.

Mr. BOLAND. So there have been increases tied to inflation?

Mr. ALTMAN. Yes.

Mr. BOLAND. Can you indicate what particular fringe benefits have been reduced or will be reduced, and if you don't have them you may supply them for the record?

Mr. ALTMAN. I would like to supply them for the record.

Mr. BOLAND. Do you have any idea what those savings will mean in terms of dollars?

Mr. ALTMAN. I would say the city's total payroll expense has been reduced by approximately 8 percent. I will supply for the record the specific amounts involved.

Mr. COUGHLIN. You don't know what it represents in dollars approximately?

Mr. ALTMAN. I don't offhand, but it's easy to come up with and I will supply it to you.

Mr. EGOL. The dollar amount would range between $300 and $400 million in terms of savings from the reduction. However, that would be offset to some extent by the cost of living adjustment and other amounts.

[The information follows:]

REDUCTIONS IN FRINGE BENEFITS

The mayor's budget reduction plan for fiscal 1977 called for the renegotiation of union contracts for all city employees with the goal of reducing fringe benefit costs by $24 million. At the time this program was proposed there were no specific plans as to the type of fringe benefits to be cut. The first organization to renegotiate its contract was District Council 37 which represents the majority of all of the city's civilian employees. Their share of the estimated $24 million savings was to amount to approximately $12 million in 1977. These reductions

were to take place in a variety of areas. Some of the major savings areas include the following:

	Million
1. The elimination of medicare part B payments on behalf of all retired district council 37 employees	1.2
2. Reduction in welfare fund payments	1.2
3. Reduction in health insurance costs	2.0
4. One week payroll lag	1.0
5. Reduction in work force due to the elimination of summer hours	1.3
	7.5
	4.5
Total	12.0

While complete monitoring systems are not yet in place at the New York City Office of Management and Budget (city OMB), they estimated that of the $12 million in estimated 1977 savings, a conservative estimate of the actual savings to be achieved through June 30, 1977, would amount to $9 million. City OMB believes that the programs themselves are achieving annualized savings in excess of those originally estimated, but that the realized savings through June 30, 1977, could show $3 million in slippage, some of which could be caused by the delay in the city council approval of the elimination of part B medicare payments. City OMB feels that the fiscal 1978 savings will exceed those originally estimated ($12 million) since some of the original savings projections were conservative.

The uniformed services were also allocated $12 million in fringe benefit savings. While no contracts have been signed detailing the programs to be reduced, the city has entered into a memorandum of agreement with each of the uniformed services regarding fringe benefit reductions. These agreements, per city OMB provide a $12 million in savings. Since no programs have been established by these unions relating to the specific areas to be cut, the city has withheld payment of approximately $10 million in various supplementary welfare benefits pending notification by these unions of a supplementary program.

Reductions in Work Force

The city usually refers to full-time personnel when describing its efforts to control payroll costs. Our analysis of the city's full-time personnel shows that during the period from June 1975 through December 1976, the city has reduced the wage bill of full-time personnel by 8 percent or an annualized saving of $385 million. The cash savings during the 18-month period was approximately $370 million. This represents a 16-percent reduction in personnel levels ($38,000 separations) offset by a 9-percent increase in average wages (primarily a reinstatement of deferred wage increases and COLA, which were negotiated in June 1975—prior to the fiscal emergency).

The city has made proportionately larger reductions in the part-time worker category. During the last 18 months, the city has made separations of approximately 13,000 full-time equivalents of part-time people and saved an annualized amount of approximately $180 million.

Combining these two categories, the city has made cuts of approximately 51,000 full-time equivalents since the start of the financial plan (total reductions since January 1975 were approximately 60,000), and has achieved an annualized reduction it its total wage bill of $541 million. During the last 18 months, the payroll reductions were approximately $550 million.

The above does not include related savings such as pension costs, social security taxes, and other fringe benefits.

Integrated Financial Management System

Mr. Boland. In the appendix to your statement you mention the new accounting system—the integrated financial management system. The legend on page 5 of the appendix states that the city has budgeted $16 million for IFMS and the plan is to install it by July 1, 1977. It's further indicated that if implemented as planned, IFMS will probably be the most advanced and complete data based computer system in the

public sector. What do you mean "if implemented as planned"? Why is there a qualifier here?

Mr. ALTMAN. There has been, Mr. Chairman, some slippage in the schedule. Arthur Andersen is particularly knowledgeable on that. It's possible that the IFMS system will not be installed fully on schedule on July 1, but there is not sufficient evidence yet that they will miss that date.

Mr. BOLAND. You think there is a possibility it will be operational by that date, certainly within a short time thereafter if it isn't?

Mr. ALTMAN. Yes.

Mr. BOLAND. Are there any problems in implementing this new system that you see right now?

Mr. ALTMAN. Which would cause a delay?

Mr. BOLAND. Yes.

Mr. ALTMAN. I would only say generally that the city, whose budget will be $13.3 billion is an extraordinarily complex entity which, as you know, has operated under very outmoded management information and basic expense control techniques for many years. And the job of installing a modern, and very efficient management information expense control and basic budgeting system is a very difficult job.

The entities who have been working for the city on it, in addition to the city people, the American Management Systems Co., for example, are knowledgeable and have been spending numerous amounts of time on this. As you see by the amount of money the city is expending, it's a very major effort both in terms of hours and dollars.

The only thing I can say to explain a delay is the complexity of putting the system into place and the amount they are all trying to do in the time allotted to them to do it. That isn't an excuse. It's simply an explanation of what might really be the reason if they don't make it on time.

STATUS OF MORATORIUM NOTES

Mr. BOLAND. You talked about the problems and crisis that were occasioned as a result of the New York Court of Appeals decision on November 19, 1976, indicating that the Moratorium Act was unconstitutional. And you developed it a little bit more in detail on pages 5 and 6 of the appendix. Have any of the notes been paid off to date?

Mr. ALTMAN. Currently, there is underway an exchange offer of MAC bonds for city notes and the effect of that exchange offer has been so far to satisfy approximately $270 million of the $1 billion in city notes which must be paid. Some of the city note holders have actually exchanged their notes or MAC securities and many have sold their city notes into the market for cash with the dealers purchasing those city notes and exchanging them for MAC notes. So that $270 million of the billion has been satisfied so far. That's as of yesterday. That exchange is continuing and, in fact, has been expanded in terms of the objective to $400 million from the original target of $250 million.

At the same time payments, at least in meaningful amounts, by the city directly to note holders will be beginning very shortly.

Mr. BOLAND. Has the Flushing National Bank exchanged their notes or did it get cash?

Mr. ALTMAN. I don't specifically know what has happened to those notes, but I can find out and we will supply it for the record. As you know, it's a rather small amount.

[The information follows:]

REPAYMENT OF NOTES

The Flushing National Bank, who is the original plaintiff in the case will receive payment of $790,000 in principal and $26,523 in accrued interest for city notes it holds on April 10, 30 days after the entry of judgment.

Mr. BOLAND. I guess it's pretty difficult to certify the notes held by individuals. They are spread all over the lot among how many individuals?

Mr. ALTMAN. I don't know the specific number of individuals but a process for certification has been arranged by Judge Gibson and it's underway. Note holders are receiving the forms from the court, filling them out, together with certification of their ownership and the basic payment process has begun. You're right, there're many individuals who hold these.

Mr. BOLAND. Do I understand that the court has to certify these, too?

Mr. ALTMAN. Yes.

Mr. BOLAND. What about the Mitchell-Lama mortgages? Have any of those been sold to date and if so how much has been realized from that sale?

If you don't have that figure, you can supply it for the record.

Mr. ALTMAN. I will. I would say most of the $410 million from the sale of Mitchell-Lama mortgages, if not all, remains to be done. In particular, the city is awaiting a tax ruling which is necessary to get most of that $410 million and which we at the Treasury expect will be forthcoming shortly.

We did check, Mr. Chairman, very carefully with HUD before granting the next loan as to whether or not the city's estimate of the amount they might receive between now and June 30 and that portion of the overall moratorium payment required to be made by June 30 was reasonable and we were told it was.

[The information follows:]

MITCHELL-LAMA REFINANCING

To date the city has sold three mortgages for a total of $6.8 million. The city has received bids on three mortgages which should raise approximately $12 million. Twenty-nine additional mortgages whose original value was $289.4 million are awaiting HUD approval. These should realize net proceeds of approximately $150 million. This coupled with the submission of additional projects within the next few weeks should enable the city to meet its $200 million goal. The balance of the $410 million is expected to be raised in fiscal 1978.

FUTURE OF ASSISTANCE TO NEW YORK CITY

Mr. BOLAND. In your statement on page 5 you indicate it's too early to tell whether New York City will make it after June 30, 1978, without further Federal seasonal financing assistance. That's not the conclusion reached by the Senate Banking Committee. In their February 1, 1977, report, they said:

Based on information obtained in the oversight hearings, the committee sees no need at the present time for any additional Federal assistance to New York

City, either to repay the notes in moratorium or to extend the seasonal loan program beyond June 30, 1978. Moreover, it is the judgment of the committee that Congress would not approve any further aid for such purpose were it to be requested.

That act passed the House by 213 to 203. It passed the Senate 57 to 30.

How do you reconcile that statement?

Mr. ALTMAN. First, I read, as all of us did, quite carefully, the Senate Banking Committee's report that you referred to. I think it's fair to say that projections can be made on almost anything and surely can be made on the city's ability to finance itself.

But, I simply think it's premature, as I said, to make a judgment with confidence as to market conditions around June 30, 1978, as to the market perception of the city and its securities at that time, still 15 months from now, Mr. Chairman, and as to the terms of a new city security which might be able to be negotiated as it relates to the absorptive ability or lack of it in the market at that time.

I would call to your attention testimony last year before that Senate Banking Committee by Mr. Rohatyn, among others, which was strong to the effect that the city would not be able to finance on its own after the expiration of the account.

There is difference of view among knowledgeable observers and true experts.

Mr. BOLAND. Mr. Rohatyn confirmed that in the New York Times, March 1977, when he said New York has made a dramatic change in the direction of its government. It's my judgment the direction cannot be changed in the foreseeable future.

He says it's highly likely that by June 30, 1978, New York will be able to handle the financing that is required. That is a statement by Mr. Rohatyn. He knows something about the problems of New York?

Mr. ALTMAN. Yes, sir.

STAFF INCREASE IN ADMINISTERING THE LOAN

Mr. BOLAND. Last year we heard the Office of New York City Finance would have 12 positions in fiscal 1977. How many people do you have on board currently?

Mr. ALTMAN. Seventeen people.

Mr. BOLAND. The justifications carried a total of 12 for last year. You have increased that number to 20. Why do you need more staff in fiscal 1978 when the program expires June 30, 1978, 9 months through the fiscal year?

Mr. ALTMAN. As I said in my statement, Mr. Chairman, in fiscal 1978 I think we have an entirely new job which we haven't had during the past year, and that relates to assessing the city's prospective solvency after the Act will expire. I am sure we will be asked to testify before Congress as to that, and it's a difficult judgment to make.

We will be assessing the city's budget outlook, not just fiscal 1979 but for any 3-, 4- or 5-year period after that and must assess that to try to judge what the city can do on its own and what it can't. I think this is an entirely new sphere of activity for us.

Second, I would point out to you that virtually all members of our staff are schedule A appointees, which means their term cannot exceed 3 years. And, among other things, if the Act expires on schedule

in June of 1978, the office will be essentially disbanded. Our commitments in terms of staff are short term.

I would finally say that the amount of effort we feel required to invest, concerning the seasonal loan, decisions is quite substantial. Each day in the month or so preceding the latest loan request we were assessing a different moratorium financing plan which was being put forth, the city's cash flow and the effect of differing moratorium plans on that cash flow, the effect of different union pension system lending schedules on the city's cash flow in order to reach an ultimate judgment as to whether the prospective repayment was sufficient for the loan.

It was an extraordinarily time-consuming effort which used every resource we had, both our own staff and Arthur Andersen.

CONTRACTUAL SERVICES

Mr. BOLAND. Of the $1,250,000 request, $737,000 is for other services. I assume most of that is for contracts. Would you supply for the record with whom the contracts will be made, the dollar amounts and what services will be provided?

Mr. ALTMAN. Yes, sir.

[The information follows:]

ESTIMATED CONTRACTUAL SERVICES FOR FISCAL 1978

The fiscal year 1978 budget request of $737,000 for "other services" will be applied toward contracts and represents 59 percent of the total budget. The following outline of services for fiscal year 1978 will offer a description of Treasury's general requirements for consultants under the New York City Seasonal Financing Act:

Requirements	Estimated cost	Type of contract
(1) Continuous monitoring services; advise the Secretary on the city's ability to repay Treasury loans through: Detailed analysis of monthly financial plan statements; intensive field reviews and reports on key aspects of the city's fiscal recovery program, e.g., IFMS and payrolls; special analysis of developments affecting budget and systems, e.g., potential agency overspending.	$500,000	Competitive
(2) Post 1978 assessments; advise the Secretary on the city's prospective solvency after the expiration of the act providing such services as development and analysis of economic forecasts based on regional indicators.	200,000	Do.

Mr. BOLAND. Mr. Baucus?

EFFECTS OF EMPLOYMENT CUTBACKS

Mr. BAUCUS. I have two questions. The first is: What cost reductions is the city undertaking to try to meet its obligations by 1978? You mentioned the 60,000 reduction in employees and fringe benefits. There is a reduction and freeze on salaries. I am curious. Is the 60,000 the number of employees who have been cut back as of this date, or is that the number scheduled by 1978?

Mr. ALTMAN. That is the number cut back by this date.

Mr. BAUCUS. Are there further reductions anticipated?

Mr. ALTMAN. Yes; in the sense that attrition is running at a rapid pace and I believe that the city does not intend to compensate for all of the attrition which occurs between now and, for example, June of 1978.

of the attrition which occurs between now and, for example, June of 1978.

Mr. BAUCUS. Do you know the amount of savings that will be incurred because of attrition?

Mr. ALTMAN. No; I don't know what the rate of attrition precisely would be. But in general response to your question, I would say that most of the progress toward a balanced budget will result from increasing revenues, because the real effect of the city's efforts has been to restrain the growth of its expenses rather than to cut them back in absolute terms.

Among other things, the effect of inflation on the city's budget, as I said, is over $13 billion. Certain cost-of-living adjustments, for example, in the payroll budget, make it difficult to make absolute reductions.

I think most of the progress has been made in restraining what otherwise would have been—and in a lot of other cities has been increased expenditures.

Mr. BAUCUS. Other than the 60,000 reduction, are there other reductions?

Mr. ALTMAN. There are others. The city has cut back sharply on its funding of the City University system, and in fact, does not intend to make any payments during its fiscal 1978 to the City University system, and the amounts which were being paid a couple of years ago were quite large.

I can supply for the record the exact amount.

Mr. BAUCUS. If you could, please.

[The information follows:]

CITY FUNDING OF CITY UNIVERSITY

The budgets and the city's contributions in recent years for the City University system are as follows:

	Millions of dollars
Total budget:	
1974	523
1975	585
1976	597
1977	445
City tax levy:	
1974	199
1975	192
1976	155
1977	140

The $140 million for fiscal 1977 includes the city's share of both the senior colleges ($95 million) and community colleges ($55 million). The city has announced that it does not intend to support the senior colleges in fiscal 1978 and desires the State to do so. Under existing State law, however, the city would have to contribute $52 million toward the operation of the senior colleges. This matter is currently being resolved.

Mr. BAUCUS. What about additional future restraints. Could you outline the major future restraints?

Mr. ALTMAN. I think, Mr. Baucus, there is an agreement in New York that a control or monitoring mechanism will continue after the expiration of this act because without it, the city's prospects for financing on its own would be greatly diminished.

As I think you know, the city's budgets must be submitted to the Emergency Financial Control Board. They must be satisfied that the

budget position reflects balance. If it doesn't, the EFCB has authority under law to reject the budget.

Mr. BAUCUS. I understand the mechanism. I want to know though, what are the anticipated measures to be taken in order to reach that point? As I understand, the deficit is in the neighborhood of $600 million. I am wondering what measures are being undertaken and what do you anticipate being undertaken in order for the EFCB to see that the budget being presented to it is a balanced budget?

Mr. ALTMAN. Most of the efforts are revenue-raising efforts.

Mr. BAUCUS. Those are primarily what? Do you have good faith?

Mr. ALTMAN. Keep in mind the budget submission hasn't yet been made. The city's general fund reflecting sales' taxes, local income taxes, corporate taxes, et cetera, is expected to rise approximately 3 percent in fiscal 1978.

Furthermore, a series of third-party actions, some Federal administrative actions and some other actions, such as the State assuming a greater share of the City University's funding, are expected to either contribute cash or relieve the city of the expense requirements relative to fiscal 1978.

FUNDING OF WESTWAY BY DEPARTMENT OF TRANSPORTATION

For example, you are aware that the Department of Transportation has decided to fund reconstruction of the West-Side Highway, called "Westway."

Mr. BAUCUS. With a dollar toll——

Mr. ALTMAN. Now that this decision has been made, the city intends to sell the rights of way surrounding what will be the newly developed Westway. We ourselves have checked on their estimates and they seem to be reasonable. They can get $80 million in 1978, cash from that source.

There are a series of third-party actions involving the State and Federal Government which the city is counting on and which the mayor alluded to in his announced plan to achieve a balanced budget in fiscal 1978.

I don't want to give you the wrong impression. We ourselves must scrutinize that budget when it's submitted in mid-April, and reach a judgment as to whether or not it's sufficiently balanced to assure repayment of the loans which they will be asking of us starting in July.

EMERGENCY FINANCIAL CONTROL BOARD

Mr. BAUCUS. What is the size of the EFCB? How many personnel are they? Do you know, roughly?

Mr. EGOL. There are seven members, if I may answer that. There are seven positions of which six are filled, and Governor Carey has extended to Ken Axelson the invitation to rejoin the control board which he left. And there are 20 staff.

Mr. ALTMAN. Seven board members, one vacant, and twenty staff.

Mr. BAUCUS. How heavily do you rely on them?

Mr. ALTMAN. We rely a good deal on their judgment. However, we feel strongly as to the need for an independent assessment ability relative to cash flow and budgets and progress against plan, et cetera,

because it's fair to say the EFCB can't necessarily be expected to have always the same objectives that we have.

There are political appointees on the board. They are subject to difficult political pressures which may be quite different than the requirements we have in representing the Secretary as it relates to prospective repayment of our loans.

We have taken the position that we needed to have a sufficiently independent ability as provided, for example, by Arthur Andersen to evaluate budget submissions to feel confident in our judgments.

Mr. BAUCUS. Taking a different perspective, if you were to sit back when you have a free moment, and think a bit about all of this, what comes to mind as to what might go wrong here. What are your major worries looking down the road regardless of the category. That is revenues, costs, EFCB, economy. What worries you the most?

NEW YORK CITY ECONOMIC DECLINE

Mr. ALTMAN. There are several. First, the underlying economic decline in the city of New York, as well as in other cities I think, at least some of them, is continuing fairly unabated. I don't want to make a speech about all of the causes here, but the causes of New York problems in large part relate to the economic outmigration from New York City, and the related effects on the tax base and the related negative effects on the types of services which have to be provided to the population as it has changed.

And that is unabated and therefore, the city's——

Mr. BAUCUS. Is that going to get worse next year?

Mr. ALTMAN. The city's basic economic problems are also unabated. There are many different measures of it. For example, local retail sales continue to decline in comparison to other cities.

On the other hand, there has been a plateauing during the last few months of the level of private sector jobs in New York which had declined very sharply during the preceding 2 years.

Mr. BAUCUS. Could you be more precise and pinpoint what can go wrong between now and the next couple of years?

Mr. ALTMAN. You asked what we worry about. You mean in terms of the financing plan, Treasury involvement?

Mr. BAUCUS. Correct.

Mr. ALTMAN. First, the moratorium financing plan could fall short of the billion dollar obligation. We do not think it will, but it could. Requiring the city to come up with more cash than it foresees, cash which they may not have.

Second, the efforts to balance the 1978 budget which after all, when submitted, will be, "Here is what we intend to do, and not what we have done," will not succeed. Some of the third-party actions will not be forthcoming, including some from the Federal Government.

Even if the budget is submitted in a balanced condition as the year goes forth, the related cash effects will be such that——

Mr. BAUCUS. Is that what you think is the greatest probability that could go wrong here? I am trying to get your assessment here as to what the greatest danger is.

PROSPECT OF NEW YORK CITY DEFAULT

Mr. ALTMAN. I think the greatest danger from the Treasury point of view, keeping in mind our responsibility under the act, is that of making a judgment that the prospects of repayment are sufficient and then, due to changing conditions, finding out the loans can't be paid.

There is $2.1 billion which the city is required to pay back between April 15 and June 30. In this case, the State-aid payments which collateralize our loans—most of which in effect flow to the Treasury—will be forthcoming because they themselves are a result of the State financing—New York State's own seasonal financing between now and June 30, we have checked carefully on it and it seems likely to proceed. Funds will be provided to the city, then will flow to the Treasury, and our loans will be repaid.

Next year, maybe bond markets will be different, we may be in a greater credit strain situation and the State financing may not be as clearly able to be done, and our $2.1 billion or whatever amount is outstanding next year, may be jeopardized.

Mr. BAUCUS. Thank you very much.

ADMINISTRATIVE COSTS

Mr. COUGHLIN. Last year, Deputy Assistant Secretary for the Capital Market Policy Robert Gerard was questioned about the cost of contracts and the administrative requests you had. The conclusion he reached was that 12 people could perform the functions that he felt needed to be performed inhouse and the remaining services should be contracted out at the regular Government rates.

Looking at what it appears you are doing this year, there is a reversal. You have decreased your contracts by 141,900, but increased personnel compensations by 142,000.

Is this in fact what you are doing, increasing your inhouse capacity and decreasing your contract capacity?

Mr. ALTMAN. Yes; in a couple of senses. First, we do not foresee the type of legal expenses which we had in the previous period, reflecting the legal assistance we required putting in the credit agreement and then in the immediate 2 or 3 months after that, those were considered consulting or contract expenses in the previous year, which hopefully we won't have this year.

I would also point out that we have opened a New York City office, I believe, since that testimony. And while the incremental effect relative to the alternative of having kept it all here in Washington isn't all that great, there has been an increment in expense associated with that.

We think it is offset by the benefits of not having five man-days a week of travel between Washington and New York. I would say further, as I did earlier, that we conceive our role as being broader for this coming year, and that is reflected somewhere in the appropriation request, although the actual level, as you know, is not different.

ARTHUR ANDERSEN CONTRACT SUPPORT

Mr. COUGHLIN. Is the level of Arthur Andersen's contract going to decrease or stay at about the same level?

Mr. ALTMAN. I believe it's going to be lower in this coming fiscal year. That contract has not been yet negotiated. Arthur Andersen is only under contract, at the moment, for the rest of fiscal 1977.

We are expecting at this point a lower level of expenses for Arthur Andersen, but not dramatically.

Mr. COUGHLIN. Considering the short-term nature of the situation, it strikes me that it would be cheaper to do some of these things by contract rather than through in-house personnel.

Mr. ALTMAN. I think at the outset, although I personally wasn't around then, a decision was made to perform a good deal of the work with consultants, and we still feel that way as reflected by the fact that 50 percent of our appropriation request reflects consulting expenses.

Beyond the work that Arthur Andersen does for us, it's difficult for me to conceive of other ways, relating to other parts of our work that we could readily obtain consulting help for, particularly for the amounts of expense we are forecasting doing it ourselves.

Mr. COUGHLIN. I must say I get lost in the figures at times here, but what is the status of the plan that was described by city officials to pay off the $983 million in past due notes? There is a spot $250 million.

MORATORIUM FINANCING

Mr. ALTMAN. That is the moratorium financing. The actual amount is $983 million. That financial plan is underway. The MAC exchange offer, which has achieved $270 million in exchange, is one of the most important parts of this.

The financing for the $983 million is underway and it will be successful.

Mr. COUGHLIN. No more than the $250 million you have loaned will be necessary to accomplish that financing.

Mr. ALTMAN. Yes; and none of the $983 million is being provided through the Treasury seasonal loan program. That is a separate financing item.

Mr. COUGHLIN. I know you had some discussion on the city universities of New York. Do they collect tuition on that now or not?

Mr. ALTMAN. They have initiated tuition, ending several decades of a nontuition system.

Mr. COUGHLIN. What is the tuition there now?

Mr. ALTMAN. I will supply that for the record. I don't know offhand.

[The information follows:]

TUITION AT CITY UNIVERSITY

Tuition at the City University will be $387 per term for first- and second-year students ($35 per credit) and $462 per term for third- and fourth-year students ($40 per credit).

Mr. COUGHLIN. Frankly, it appears to me this is working better than I anticipated it would at the time we passed the legislation. And in response to Mr. Baucus' question, you indicated that there was a reasonable prospect for successful conclusion of this in 1978?

Mr. ALTMAN. I would agree that it's working better in a number of respects. A lot of that is attributable to the attitude of the city officials. I, myself, find the finance team in New York City—three or four members of which have come on board in the last 2 years—to be good, to

have a very sound attitude; which is similar in many respects to our own here in the Federal Government, and to be simply doing the best they can to move the city into a basically balanced budgetary condition.

NEW YORK CITY DEFICIT

Mr. COUGHLIN. It was indicated in a Washington Post article of March 12, 1977, that New York has reduced accumulated deficits from $1 billion down to $450 million. Is that figure correct? Through program reductions?

Mr. ALTMAN. The original plan developed in November 1975, the objective of which was to eliminate the deficits and handle budgets and reach a balanced condition in fiscal 1978, called for a $330 million budget deficit in fiscal 1977, down from $880 million in fiscal 1976, and then moving to a $30 million budget surplus in fiscal 1978. Perhaps that is where those figures come from.

However, that plan was revised last year, because the deficit for fiscal 1977 was going to be larger than the revised January estimate for the fiscal 1977 deficit, that period ending this June 30, which was $606 million.

Mr. COUGHLIN. The accumulated deficit?

Mr. ALTMAN. That is what is needed to achieve a balanced budget in 1978.

Mr. COUGHLIN. At the end of fiscal 1978, what will be the accumulated deficit for New York City, under current projections?

Mr. EGOL. Approximately $6 billion.

Mr. COUGHLIN. How is that handled? You still have it lumped together.

Mr. ALTMAN. Some of that has been handled by long-term financing, by the sale of long-term city bonds. It has been handled two ways. The union pension system loans over 2½ years are to fund the capital budget over that period and to fund the continuing budget deficits over that period.

A portion of the accumulated deficits from 1975 were financed by the union pension system loans. The exchange offer of long-term MAC security for city notes have had the effect of funding a large amount, over three billion of the accumulated deficit. The answer, essentially, is long-term financing.

Mr. COUGHLIN. Thank you.

Mr. BOLAND. As you indicated, there are too many imponderables, so it's difficult to tell if this kind of assistance will save New York in the future. There are so many social problems. It depends on the success of the programs being developed over the next few years, which will indicate whether or not the city will survive.

That will require a combination of assistance among the various government entities that are involved, the State of New York, City of New York, and the Federal Government.

Thank you very much, Secretary Altman. We are delighted to have you and your assistants appearing here today. Thank you very much.

We will stand adjourned.

JUSTIFICATION OF THE BUDGET ESTIMATES

Administrative Expenses - New York City Seasonal Financing Fund

ANALYSIS OF AUTHORIZED LEVEL FOR FISCAL YEAR 1977
(Dollars in thousands)

	Permanent Positions	Average Positions	Amount
1977 Appropriation Enacted by Congress	...	...	1,250
Estimates, 1978	...	...	1,250

DIGEST OF BUDGET ESTIMATES BY ACTIVITIES FISCAL YEAR 1978

	Appropriation FY 1976		Authorized Level FY 1977		Budget Estimate FY 1978	
	Ave. Pos.	Amount	Ave. Pos.	Amount	Ave. Pos.	Amount
Administrative expenses	...	994	...	1,250	...	1,250
Balance carried forward to the Transition Quarter	...	6	...	...	...	...
Total appropriation, authorized level, and budget estimate	...	1,000	...	1,250	...	1,250

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Administrative Expenses, New York City Seasonal Financing Fund

SUMMARY JUSTIFICATION OF FY 1978 BUDGET ESTIMATES

This account was created to pay for the administrative expenses incurred in the management of the New York City Seasonal Financing Fund. It is necessary for the city of New York to obtain seasonal financing from time to time because the city's revenues and expenditures, even when in balance on an annual basis, are not received and disbursed at equivalent rates throughout the year. It is therefore necessary to assure seasonal financing in order that the city of New York may maintain essential governmental services. Loans from the fund may be made under authorization of Public Law 94-143 when the Secretary of the Treasury determines that there is a reasonable prospect of repayment of the loan in accordance with the terms and conditions of the law. All sums necessary to pay the expenses of administration of the New York City Seasonal Financing Act of 1975 are authorized to be appropriated through Public Law 94-143.

It is anticipated that expenses chargeable to this account will amount to $1,250 thousand in fiscal year 1978, which is no increase over fiscal year 1977. These administrative expenses are directly related to the activity in the New York City Seasonal Financing Fund.

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NEW YORK CITY SEASONAL FINANCING FUND, ADMINISTRATIVE EXPENSES

For necessary expenses in carrying out the administration of [Public Law 94–143, $1,250,000] *the New York City Seasonal Financing Act of 1975, $1,250,000. (89 Stat. 799; Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1977.)*

EXPLANATION OF LANGUAGE CHANGE FOR FISCAL YEAR 1978

NONE

Administrative Expenses, New York City Seasonal Financing Fund

In accordance with Public Law 94-143, the New York City Seasonal Financing Act, and the Credit Agreement executed on December 30, 1975, pursuant to that Act, the Secretary of the Treasury is responsible for establishing and administering a loan program for New York City. To carry out these requirements an appropriation of $1,250,000 is requested for FY 1978 to reimburse the Office of the Secretary of the Treasury for expenses incurred by the Office of New York Finance and related support activities. This submission does not reflect an increase over FY 1977.

The purpose of this office is to monitor closely the adherence of the City of New York to the intent of the Act. Analysis of the detailed financial reports submitted to the Treasury Department by the City on a monthly, quarterly and annual basis is central to this purpose. To handle this task the office is organized along two basic lines.

First, there is a division located in New York City which is responsible for cost and revenue reviews and systems analyses. This division audits and verifies the reports received from the City and, if necessary, recommends changes and improvements to the reports. Involved in this is the inspection of accounts, books, records, and other financial documents of the City or any financing agent receiving the benefits of a loan.

The second division of this office, located in Washington, is responsible for reviewing city financing Federal aid, and coordinating the execution and repayment of all loans undertaking special analyses, and providing supporting service for the office. Determinations are made of what security and collateral, if any, are necessary from the city or its financing agents in connection with a loan. In cooperation with the General Counsel and other responsible offices of the Treasury, this division ensures that the conditions for individual loans under the Agreement are met; that agreements covering such loans are duly executed; and, if necessary, that appropriate steps are taken to ensure repayment of the loans.

In addition, the functions of this office include assessing and analyzing the economic merits and implications, domestic and international, of the courses of action available to the Secretary to carry out his responsibilities under the Act and the Agreement; e.g., in the event the City defaults or materially departs from the terms and conditions of the Agreement. To execute its functions the Office maintains liaison with other Executive agencies, the Congress, the General Accounting Office, the private sector and representatives of the City, State and agencies of New York. Responses to inquiries and correspondence, Congressional testimony, briefing papers, and other documents or position papers are prepared by this office to keep all interested parties informed.

Recognizing that it would not be reasonable or cost effective to establish in the Treasury Department all of the expertise necessary to conduct this activity, the majority of the funds requested will provide for contractual services with experts in the private sector. For example, during FY 1976 a private accounting firm was contracted to identify the financial information required by the Treasury to administer the loans and to evaluate a possible system for obtaining such information. Another contract was let to review and evaluate the accuracy of financial reports currently generated by the City of New York, and to review and evaluate the City's revenue and expenditure forecasting systems. Other contracts will be used to provide such services as preparation of legal documents necessary to execute the loans, auditing of financial documents, and advising the Treasury on other aspects of the Fund that are outside the expertise of the staff of the Office of New York Finance.

To assist the Secretary in administering Public Law 94-143, a small staff with expertise in areas of banking, accounting, financial analysis, legal counsel, and administration of complex institutions has been established in-house.

New York City Seasonal Financing Fund - Administrative Expenses

Proposed 1978 funding by object class:

Personnel compensation	$ 405,000
Personnel benefits	36,000
Travel	22,000
Rents, communications and utilities	40,000
Printing and reproduction	4,000
Other services	737,000
Supplies and materials	3,000
Equipment	3,000
Total appropriation	$1,250,000

Anticipated staffing for 1978:

Deputy to the Assistant Secretary	GS-17	
Deputy director	GS-15	
Accounting officer	GS-15	
Program analyst	GS-14	
Accountant	GS-14	
Attorney-advisor	GS-13	
Financial analyst	GS-13	
Legislative research analyst	GS-12	
Financial analyst	GS-11	(6)
Auditor	GS-11	
Secretary	GS-8	
Writer-editor	GS-7	
Secretary	GS-6	(2)
Secretary	GS-5	
Total permanent positions	20	

TESTIMONY OF MEMBERS OF CONGRESS AND INTERESTED INDIVIDUALS AND ORGANIZATIONS

MONDAY, APRIL 4, 1977.

EPA-TOXIC SUBSTANCES PROGRAM

WITNESS

HON. BOB ECKHARDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. TRAXLER. We are very pleased to welcome the Honorable Bob Eckhardt, a Representative in Congress from the State of Texas who will discuss the EPA toxic substances program.

Your statement will appear in the record. And we welcome your comments.

[The complete statement follows:]

STATEMENT OF CONGRESSMAN BOB ECKHARDT

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss President Carter's fiscal year 1978 budget request for the EPA toxic substances program and support activities. The request is for $29,830,000 and 327 positions. I urge the Subcommittee to provide full funding for this program.

The money requested will be used to implement one of the most important programs authorized by the Congress in recent years. The enactment of the Toxic Substances Control Act by the Congress this past year, was a major step forward in providing urgently needed authority to protect public health and the environment from dangerous chemicals. Over the past few decades our society has been exposed to a vast volume of entirely new chemical compounds. Each year an estimated 1,000 new chemical substances are added to the more than 30,000 chemicals already in commercial use. Unfortunately these chemicals have often been released into the environment with little or no knowledge of their long term health or environmental effects. We have learned only by tragic experience that these chemicals cause cancer, birth defects, gene mutations, and other serious health problems. Further, we now know that they can cause irreparable harm to our environment.

Adequate funding for implementation of the Toxic Substances Control Act is necessary to insure that we can continue to enjoy the great benefits provided by chemicals and at the same time be protected from those few chemicals which may prove to be truly hazardous.

Implementation of the new toxic substances law presents a major challenge to EPA. It is a complicated statute which confronts complex problems. Therefore, it is essential that EPA have adequate resources and personnel. Under the toxic substances program, EPA will be expected to look at the more than 30,000 chemical substances already in commercial use in the United States today and take regulatory action against those which are unreasonably hazardous. In addition, EPA is required to review the approximately 1,000 new chemicals which will be coming onto the market every year to determine if they have been adequately tested for health and environmental effects and to halt the development and marketing of those which may be unreasonably hazardous. This will be a massive undertaking.

I would like to mention some of the specific deadlines and requirements contained in the Act which make it so important that EPA have adequate resources available in the coming year. By the end of June, 1977, EPA must have issued an inventory of all chemicals which are currently being used for commercial purposes within the United States. Publication of the inventory triggers the requirement that persons intending to manufacture a new chemical substance give EPA 90 days notice prior to beginning commercial production. EPA must be fully prepared and fully staffed to begin the job of careful evaluation of these notifications if the objective of keeping inadequately tested and potentially harmful new chemicals off the market is to be achieved.

It is also important that EPA have adequate staff to respond to a reporting requirement which went into effect on the same day that the Act became effective. The Act requires persons who manufacture, process or distribute chemicals

to immediately notify EPA when they obtain information which reasonably supports a conclusion that one of their chemicals presents a substantial risk of injury to health or the environment. This provision imposes upon manufacturers, processors and distributors an obligation to go back through their files and other information sources to determine if any of their chemicals present a substantial risk. This information or any information which they receive subsequent to the enactment of the new law indicating such a risk must be immediately reported to EPA. It is extremely important that EPA be able to evaluate and, if necessary, respond to such notifications in time to adequately protect public health and the environment.

In September, 1977, an interagency committee will be submitting to EPA recommendations as to what chemicals should be subjected to testing requirements under the new law. The committee can designate up to 50 chemicals for priority attention. Within 12 months EPA must respond to such a designation by either issuing a testing rule or explaining why it has not done so. It is essential that EPA be adequately prepared to take the necessary action.

A final example of the specific kinds of activities which EPA must be able to undertake in the near future to comply with the mandate of the new statute concerns polychlorinated biphenyls (PCBs). Because the Congress felt that the hazard presented by PCBs was so great, the Act itself requires that the manufacture and use of this highly pervasive toxic substance be phased out over a two-year period. EPA must have the personnel available to enforce this statutory requirement.

These are just a few examples of specific requirements for action imposed upon EPA under the new Act. There are, of course, numerous other activities which EPA will be expected to take in order to accomplish the goals set forth in the legislation.

Given the magnitude and the complexity of the problem, I think that the budget request is extremely modest. This can be fully appreciated if we compare the request for toxic program to the cost for implementing other similar laws. Although EPA's statutory authority and responsibilities under the pesticides act are somewhat different from those of the toxic substances act, there are many similarities. In general, both bills provide for protection from hazardous chemicals already on the market as well as review and evaluation of new chemicals coming onto the market. EPA's FY 1977 operating plan for the pesticide program calls for expenditures of almost $47 million. This is $17 million more than that requested for the toxic substances program for fiscal year 1978. The Food and Drug Administration receives approximately $16 million to support a program of simply verifying test data on chemicals subject to regulation under the Food and Drug Act. EPA will have to undertake a similar program to verify test data received under the Toxic Substances Act, and yet its entire budget request for toxic substances is not significantly greater than the money for this one narrow part of the Food and Drug Act.

Examination of some of the costs to society as a whole which could be saved if the toxic substances program is adequately implemented illustrates again how modest the budget request for this program is. This past year, the Hudson River was closed to commercial fishing for the first time in its history because of contamination by one chemical substance, PCBs. New York State has estimated that it may cost as much as $20 million to cleanse the Hudson of this one chemical. Commercial fishing in Lake Michigan ceased in 1971 due to pollution from PCBs, and PCB contamination recently threatened the $95 million commercial fishing industry in the Great Lakes. This is an example of the kind of economic costs to our society from just one hazardous chemical. If harm such as this can be avoided or minimized in the future because of effective implementation of the Toxic Substances Control Act, the savings to society will be tremendous.

Mr. Chairman, I am a firm believer in the old adage that an ounce of prevention is worth a pound of cure. I think it is particularly apposite with respect to funding for the toxic substances program. I hope this Committee will take the saying to heart and appropriate the full level requested for this vitally important program.

Mr. ECKHARDT. Thank you. Mr. Chairman.

The EPA appropriation for toxic substances is rather dear to my heart because it implements a bill which I co-authored with Congressman Broyhill, the Toxic Substances Control Act. It is probably the

most sweeping recent piece of legislation respecting the question of environmental protection, and, frankly, it being a new program and having come in relatively late in the last session of Congress though it had been hatching for about 5 years, has not really adequately been funded.

President Carter's fiscal year 1978 budget requests for the EPA toxic substances program and supporting activities, in the amount of $29,830,000 and 327 positions.

I would like to urge this committee to provide full funding for this program. There are some 1,000 new chemical substances that come on the market each year. This constitutes an addition to a bank of some 30,000 chemical substances produced in commercial amounts that are subject to regulation under the Toxic Substances Control Act.

I would like to give specific mention to some of the requirements contained in the act, which make it so important that EPA have adequate resources available in the coming year. By the end of 1977 EPA must have issued an inventory of all chemicals that are now being used for commercial purposes within the United States. Publication of the inventory triggers the requirement that persons intending to manufacture a new chemical substance give EPA 90 days notice prior to beginning commercial production. EPA must be fully prepared and fully staffed to begin the job of careful evaluation of those notifications if the objective of keeping inadequately tested and potentially harmful new chemicals off the market is to be achieved.

It is also important that EPA have adequate staff to respond to a reporting requirement which went into effect on the same day that the act became effective. The act requires persons who manufacture, processes, and distributes chemicals to immediately notify EPA when they obtain information which supports the conclusion that one of their chemicals presents a substantial risk of injury to health or the environment. This provision imposes upon manufacturers, processors and distributors an obligation to go back through their files and other information sources to determine if any of their chemicals present a substantial risk.

This information or any information which they receive subsequent to the enactment of the new law, indicating such a risk, must be immediately reported to EPA. It is extremely important that EPA be able to evaluate, and if necessary, respond, to such notifications in time to adequately protect public health and the environment.

In September 1977, an interagency committee will be submitting to EPA recommendations as to what chemicals should be subjected to testing requirements under the new law. The committee can designate up to 50 chemicals for priority attention. Within 12 months EPA must respond to such a designation by either issuing a testing rule or explaining why it has not done so. It is essential that EPA be adequately prepared to take the necessary action. A final example of the specific kind of activities which EPA must be able to undertake in the near future to comply with the mandate of the new statute concerns polychlorinated biphenyls.

Because the Congress felt that the hazard presented by PCB's was so great, the act itself requires that the manufacture and use of this toxic substance be phased out over a 2-year period. EPA must have the personnel available to enforce this statutory requirement. Those

are just a few examples of specific requirements for action imposed upon EPA under the new act.

There are, of course, numerous other activities, which EPA will be expected to take in order to accomplish the goals set forth in this legislation.

Now, I think you can pretty well get a measure of the adequacy and, as a matter of fact, the rather limited request when you measure the money to be used in this program against that in the pesticides program. The pesticides program, of course, is limited to a relatively small number of chemicals, those that fall in the category of pesticides or rodenticides, insecticides, et cetera. There the expenditures for operation amount to almost $47 million, substantially greater than the administration is asking here. And here, of course, EPA is dealing with a whole range of commercial chemicals other than those that are directly prepared as poisons for the purpose of pesticides, and those which are taken internally as drugs or foods. The Food and Drug Administration receives approximately $16 million to support a program of simply verifying test data on chemicals subject to regulation under that act. And, of course, that $16 million is only a very, very small part of the total budget for the Food and Drug Administration.

Now, this is one area in which an absolute maximum of cooperation existed in the framing of this bill between those regulated and those who are deemed to be benefited by the regulation, the public generally. We got very good cooperation from the manufacturing chemists as well as from environmental groups.

I think in like manner both the public and those regulated want to see this act adequately implemented. The reason for that is that if it is not adequately implemented, for example, there may be dramatic revelations of dangerous new chemicals coming onto the market. Such revelations hurt industry as well as hurting people.

So, I think everyone wants the agency to have the reach to actually accomplish its objectives.

I think the recommendation of the administration is modest but adequate in this regard. And I would urge full appropriations.

Mr. TRAXLER. Mrs. Boggs, do you have any questions?

Mrs. BOGGS. Thank you. Mr. Eckhardt, are you saying that this would be a preventive type of expenditure, that is, if we were able to have sufficient funds for the real policing of substances in a timely fashion, we would save money in the long run by having an ounce of prevention instead of a pound of cure?

Mr. ECKHARDT. Exactly. That's the whole theory of the bill. If we let chemicals get into the marketplace and then have to withdraw them as in the PCB's case, this results in an enormous cost, both in unemployment and in investments in an unsafe product.

Had we known the dangers in advance, we would have not permitted them to get into that position.

Mrs. BOGGS. Thank you.

Mr. TRAXLER. Thank you very much, Mr. Eckhardt. What are some of the time frames, the deadlines in the bill by way of its implementation? It's a Herculean task we have here. One has to wonder whether our startup funding is enough.

We recognize EPA is an ongoing agency. They are going to be employing some 300 new people. We are giving them $30 million addi-

tional, and two questions come to mind, is that too much, or is that too little?

Mr. ECKHARDT. Well, ideally, we would have had more money earlier. What EPA has had to do in 1977 is make do with what was available because the act was passed so late in the last session of the 94th Congress.

We put rather modest funds in for 1978 because, frankly, we had an OMB that was, I think, to say the least, frugal. And I think overly so.

Now, one of the first deadlines is the end of November 1977. At that time, EPA must have issued its inventory of all chemicals which are currently being used for commercial purposes within the United States.

In September of 1977, an interagency committee submits a list of priorities for testing. The agency must either make a rule about them or respond as to why a rule was not made.

Of course, I have not pointed out either that there is a provision in the act whereby the public can get involved by petitioning the Agency to address some chemical problem that the Agency has not yet addressed. If the Agency does not grant the petition, the petitioner can take the EPA to court.

This provision does not let a court dictate to the Agency other than to say, "Look into it and say yes or no." But that calls for administrative costs.

So these things are right on us and they are heavy loads for the Agency to carry.

Mr. TRAXLER. We recognize this new responsibility that the Agency has and we want to make sure that they have adequate funding in their startup to do the job that is required.

We also know that sometimes they can't bring on board as quickly as possible the kinds of expertise that are necessary in such a highly technological area as this. We surely don't want to mandate in our legislation responsibilities to an agency and then not provide the funding to administer it properly.

I think your counsel and advice is well taken. There was an authorization portion of the bill that carries it for 2 years. You may recall this language.

Mr. ECKHARDT. That is right. That's the $12,625,000 for the 1978 appropriation.

Mr. TRAXLER. Yes.

Mr. ECKHARDT. And, of course, this would be a substantial increase above that. As I understand it, since all of this is in EPA, EPA has certain authorizations for toxic substances program activity under other laws, and I understand that there is adequate additional authorization authority in these various acts to justify that appropriation.

I am sure that's what you are looking toward.

Mr. TRAXLER. I appreciate that comment. I wonder how we got to the $29 million?

Mr. ECKHARDT. For example, other authorizations include $3.2 million from the Water Act and $3.8 million from the Clean Air Act. FIFRA, the Safe Drinking Water Act, the Resource Recovery Act, and others all include authorizations for a toxic substances control program.

Mr. TRAXLER. Again, we thank you for your interest in this area, and this subcommittee will do everything that's humanly possible to insure adequate funding. We thank you for your presence.

Mr. ECKHARDT. Thank you, Mr. Chairman.

ENVIRONMENTAL PROTECTION AGENCY

Mr. BOLAND. We have received a statement from Congressman Tom Harkin regarding the Environmental Protection Agency. We will place his statement in the record at this point.

[The statement follows.]

STATEMENT OF REPRESENTATIVE TOM HARKIN OF IOWA

Mr. Chairman and members of the committee, I am pleased to have the opportunity to present my views in connection with your consideration of appropriations for activities of the Environmental Protection Agency for fiscal year 1978.

Let me begin by complimenting the typically excellent job of my colleague, George Brown, Chairman of the Subcommittee on the Environment and the Atmosphere, whose hard work produced what I believe you will find to be a very balanced and responsible authorization bill. The full Science and Technology Committee unanimously approved the Brown subcommittee's recommendations.

My purpose in coming before you today is to briefly call your attention to the Committee's action with respect to EPA's solid waste activities.

As you know, EPA's research and development efforts in the solid waste program are principally directed to supporting the objectives of the new Resource Conservation and Recovery Act, passed last year. Major initiatives under this Act include the development of improved waste management techniques, disposal technology, and resource recovery technology. The Science Committee's suggested 1978 resource level for this activity is $9,818,000, an increase of $2,100,000 over the President's request. Of the increase, $1.1 million is the result of the Committee's approval of an amendment I offered that would specifically enable EPA to continue research and evaluation of the Ames, Iowa Solid Waste Resource Recovery facility. Let me briefly explain the reason for this amendment.

Solid waste disposal is a major cost to cities across the country today, totalling billions of dollars each year. The Congress has recognized the potential importance of resource recovery in reducing these costs, in conserving materials, and as a source of energy. For several years the federal government has conducted R. & D. to realize the potential of resource recovery, and results are beginning to be seen as communities, like Ames, Iowa are building resource recovery facilities.

Ames has the first commercially-operating facility in the world that recovers valuable metals from municipal solid waste, prepares refuse-derived fuel (RDF), and burns the RDF in an electric generating plant. The plant was built totally with local funds, yet serves as the "national pilot plant" for the leading "waste as fuel" technology arising from federal efforts.

Importantly, the technology used in Ames complements the emerging national energy strategy in that RDF is burned with coal to generate electricity. The plant is highly representative of coal combustion facilities in the U.S. and contains examples of the two dominant boiler types—pulverized coal and stoker. In addition, hundreds of cities, consulting firms, and industry representatives have visited the facility in its first year of operation seeking information before embarking on similar projects in communities around the nation.

I think you can see the importance of the Ames facility for demonstrating the use of refuse-derived fuel technology. At present, both EPA and ERDA are performing evaluations of the Ames facility. I have received letters from both agencies, copies of which I submit here for the record, outlining the valuable experience that has been gained from the Ames facility, and expressing EPA and ERDA's mutual interest in continued research and evaluation of the plant. In fact, EPA has indicated that were the Ames plant not available, the cost to the federal government of building a replacement national pilot plant would be in excess of $10 million, with an associated delay of more than 3 years.

However, as with any other "pilot plant," the Ames facility has had its share of operating difficulties. Because the plant is the first of its kind anywhere, the benefits of prior operating experience from another plant were not available.

Thus, as may be expected, an operating cost differential between actual and projected costs has resulted. Fortunately, a number of proposed modifications to the plant suggested by EPA will be able to reduce the net operating deficit to a point where the continued viability of the Ames plant for EPA and ERDA demonstration purposes will be assured.

The $1.1 million increase approved by the Science Committee would permit modifications to the facility capable of reducing the projected operating deficits for the next five years by roughly $92,500 per year. The modifications include a dust collection program, pulverized coal boiler combustion program, equipment design and improvement and expanded testing and evaluation program.

I direct your attention to the report filed by the Science Committee to accompany the EPA authorization. Our committee feels very strongly that EPA should be permitted to conduct further research at Ames to provide information needed by communities across the nation with respect to resource recovery and combustion of refuse-derived fuel. This work should be directed at assuring that the RDF will be applicable in large and small communities in the U.S., and at extending the breakeven point for RDF towards small and medium-sized communities of which the Ames area is representative.

I therefore urge your committee to provide an appropriation level for EPA's Solid Waste Program activities which takes account of the authorization the House Science Committee has established to allow continued EPA data collection and analysis at the Ames, Iowa resource recovery facility.

Thank you.

U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION,
Washington, D.C., March 29, 1977.

Hon. THOMAS HARKIN,
House of Representatives

DEAR MR. HARKIN: This is in response to your letter inquiring about the Ames, Iowa, resources recovery project. We believe that the Ames project is a significant step and a very important element in the development of waste-to-energy and resources system. It is the first operational processing plant in the Nation which separates waste into a fuel fraction and recyclable noncombustible. As such, it is an effective bed for full-scale operation. The current joint Environmental Protection Agency/Energy Research and Development Administration test at the plant is evidence of this fact. Further, the plant is a medium-scale facility which can open this technology to a broader range of cities and areas than previously thought possible.

In addition, some needed developmental research effort can be undertaken at this plant at much less expense since the major plant construction and equipment are in place. Ideas in this area include different arrangement of conventional equipment to include unit operations.

I hope the above is responsive. Thank you for your interest in our energy conservation program.

Sincerely,

MAXINE SAVITZ,
Director, Division of Buildings and Community Systems,
Office of Conservation.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY,
Washington, D. C., March 29, 1977.

Hon. TOM HARKIN,
House of Representatives,
Washington, D.C.

DEAR MR. HARKIN: Thank you for your letter requesting our comments on the ongoing research project at the Ames, Iowa resource recovery facility.

As you suggest, the Ames facility is serving as the "national pilot plant" for the refuse-derived fuel (RDF) technology. Our research project there is designed to gather data which can be obtained only at the Ames facility, the first replication of the RDF technology since the completion of the Environmental Protection Agency's demonstration project in St. Louis. The importance of this is that combustion of RDF with coal appears to be the most promising new wastes as fuel technology and will be applicable in the two-thirds of the country where coal is burned.

There are three other points which we feel amplify the importance of continuing our research and testing program at Ames:

1. The Ames plant contains highly representative examples of the two major boiler types used in coal combustion facilities by industry, electric utilities and commercial institutions. Capacity of each boiler type exists to burn on the order of 25 percent of the municipal solid waste generated each year in the U.S.

2. The Ames electricity generating plant boilers are smaller than those in St. Louis. As a result, the data from RDF combustion in Ames, combined with that obtained in St. Louis, is enabling the development of criteria parametric data on the RDF technology.

3. Literally hundreds of communities are considering—and over two dozen are committed to building—RDF preparation and combustion facilities. The data developed from the Ames research and testing program may prove critical to the success of these new facilities.

In closing, I would like to add that we are grateful to the Ames community for its cooperation in encouraging—indeed in making possible—the research and testing program. If the facility was not available, the cost to the Federal government of building a replacement national pilot plant would be in excess of $10 million with an associated delay of more than three years. Accordingly, we support strongly a continuation of the research and testing program.

Sincerely yours,

STEPHEN J. GAGE,
Deputy Assistant Administrator,
Office of Energy, Minerals and Industry.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Mr. BOLAND. The committee has received a statement from our distinguished colleague, the Honorable Dale Milford, chairman of the Subcommittee on Transportation, Aviation, and Weather, Committee on Science and Technology, on the National Aeronautics and Space Administration. The statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF REPRESENTATIVE DALE MILFORD OF TEXAS

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 fiscal year 1978 NASA Aeronautics budget. I am especially appreciative of the fine effort that this Subcommittee made last year in accelerating modification of the 40 by 80 foot subsonic wind tunnel at Ames. I am sure that this project will prove to be an extremely important investment for the future of aeronautics in this country.

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 this latter portion that I wish to address briefly.

The program for fiscal year 1978 represents a continuation of NASA's efforts to expand our knowledge in virtually all areas of aeronautical technology. The funding request for fiscal year 1978 represents real growth of approximately 15 percent, the first real growth since 1973. 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 demonstrable 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, what I hope will be, the reversal of a long trend.

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 $236.5 milion this year), the pay-off is proportionally very large.

NASA BUDGET REQUEST FOR AERONAUTICAL RESEARCH AND TECHNOLOGY

That part of NASA's program under the jurisdiction of the Subcommittee on Transportation, Aviation and Weather is broken down into three categories:

1. Research and Program Management
2. Research and Technology
3. Construction of Facilities

RESEARCH AND PROGRAM MANAGEMENT

The research and program management funds related to aeronautics are requested to provide the civil service manpower for in-house research, planning, management, and support of R. & D., as well as the costs of operating, maintaining and supporting research center installations. The funds related to aeronautics are not identified separately in the budget request and have been discussed by others; therefore, I will not go into program details.

RESEARCH AND TECHNOLOGY

The amount requested by NASA for aeronautical research and technology for fiscal year 1978 was $231,000,000. The Committee approved this amount and recommended an addition of $5,500,000 for a total of $236,500,000. The additional amount falls in three areas:

The first of these is $1 million to accelerate the materials work in superplastic forming and diffusion bonding. This extremely promising work has the potential for producing very light weight, large structures for future aircraft.

The second area is a $2 million addition to reverse the long downward trend in independent university research.

And the third is $2.5 million to establish a line item for agricultural aircraft research. This program was proposed by NASA but fell victim to the OMB ax. We strongly agreed that the potential for more efficient aerial application of seeds, fertilizers and pesticides, and the implications of this for world agriculture justified restoration of these funds.

The objectives of the R. & T. program are to advance technology to make possible safer, more economic, and environmentally acceptable air transportation systems which are responsive to current and future national needs; to maintain a strong competitive position of the United States in the international aviation marketplace; and to support the military in maintaining the superiority of the Nation's military aircraft. NASA will maintain a strong research effort in the areas of materials, structures, avionics, propulsion, aerodynamics, and man-vehicle interactions to provide advanced technology to meet the future needs of civil aviation.

The aeronautical program also includes a major effort aimed at reducing aircraft energy consumption and the undesirable environmental effects of noise and pollution. This effort is directed at providing the technology for quiet, clean, and efficient propulsion systems; the reduction of aerodynamic drag; the application of active control concepts, and advanced materials and structural concepts of aircraft to reduce weight and improve operating efficiency; and an examination of new types of fuel.

Another major area of emphasis is concerned with improving aircraft terminal operations and safety through development of technology in areas such as avionics systems, operating procedures, crash-worthy aircraft structures, and fire-resistant aircraft interior materials.

All of these technology efforts are integrated with various systems studies to provide the technical basis for future advanced long-haul and short-haul transportation aircraft—which, of course, is the ultimate reason for NASA engaging in aeronautical research and development.

The aeronautical research and technology program is divided into three major efforts. First, there is the research and technology base which is discipline-oriented and has the overall objective of establishing a solid foundation for the evaluation of advanced concepts. The second area—systems technology programs—contains technical demonstrations and proof-of-concept activities which have matured to the point where they are ready for systems integration and demonstration. This is the project definition phase of potential future experimental programs. Third, there are the experimental programs which involve multidisciplinary concept demonstration and major research vehicle development.

CONSTRUCTION OF FACILITIES

The construction of facilities request for aeronautics by NASA was $38,400,000 for fiscal year 1978. It is important to emphasize that the great bulk of our civil aviation research and development facilities were constructed in the 1940's. Such money has been largely devoted to modifications for upgrading capabilities.

But such extensions of capabilities can go only so far to meet the requirements of doing R. & D. for future generations of aircraft—and for improving current aircraft—we must face the fact that the nation will have to build some new aeronautical R. & D. facilities in order to maintain its leadership in aviation. I have already noted the major contributions to our trade balance with other nations made by the sale of aircraft and parts.

Between 75 and 80 percent of aircraft flying today in the non-Communist part of the world were built in this country. If we wish to retain this leadership—which also means millions of jobs—we must provide the kind of research and facilities necessary to maintain technical leadership.

Turning now to one final matter. There has been considerable confusion this year over a section in our report on the FY 1978 Authorization bill. Let me set the record straight.

The Committee asked NASA to determine what new technologies are needed to solve the environmental and economic problems of supersonic travel. It is only a study. No additional funds are involved. We are not even suggesting that NASA proceed with the development of the new technology which may be required. We are only asking that it be identified. Above all, and I want to stress this, there is certainly no commitment, implied or otherwise, to building an SST. In fact, the bill was amended on the House Floor to specifically preclude precisely that possibility.

Unfortunately, our request for a study was confused with the on-going program of basic research and technology development in supersonic flight. As you know, this program is just one of many NASA programs to increase the pool of knowledge in all flight regimes. It is, and always has been, a low level program. But, I believe it is vitally necessary so that our options for the future remain open.

PORTLAND/VANCOUVER VA HOSPITALS

WITNESSES

HON. LES AuCOIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

DR. LEWIS BLUEMLE, DIRECTOR OF HEALTH SERVICES CENTER, UNIVERSITY OF OREGON

Mr. BOLAND. The committee will come to order. We are very pleased to have with us this morning our distinguished colleague from the State of Oregon, the Honorable Les AuCoin, and also Dr. Lewis Bluemle, Director of Health Services Center from University of Oregon.

Doctor, if you will move up to the table with Les, we will be very glad to hear you.

Mr. AUCOIN. Would you like me to begin, Mr. Chairman?

Mr. BOLAND. Sure. You can handle it any way you want.

Mr. AUCOIN. Mr. Chairman, let me thank you and the members of this committee for this opportunity. I am here to express my strong support for the plans of the Veterans Administration to replace the dreadfully outmoded Portland and Vancouver VA hospitals.

The need for new facilities is obvious to anyone who inspects them, but——

Mr. BOLAND. There is no controversy over that.

Mr. AuCoin. Absolutely none. But where to provide the facilities has stirred up a controversy you are aware of, and we out in Portland are aware of.

In fact, the new VA administrator told me that the flap over the Portland hospital has taken more of his time.

Mr. Boland. That isn't fair to him.

Mr. AuCoin. I know it's taken a good deal of your committee's time, too, so what I would like to do, Mr. Chairman, is speak briefly but directly, to the controversy on siting. I would like to clarify in the course of doing so some of the contradictions that have emerged in the debate.

Finally, I would like to urge the committee not to abandon what I consider the carefully considered judgment of the medical program professionals of the VA.

First, let me say there is no controversy on siting in the minds of either the veterans or the Veterans Administration. The people whom the new hospital is meant to serve and those who provide that service clearly want the new facility to stay on Marquam Hill in Portland, within minutes of the University of Oregon Health Sciences Center.

For more than 2 years, the United Veterans Groups of Oregon and all its member organizations—the American Legion, Disabled American Veterans, the Military Order of the Purple Heart, United Spanish War Veterans, Veterans of Foreign Wars, and Veterans of World War I of the USA—have unanimously endorsed placing the new hospital on Marquam Hill.

Since 1975, their joint position has stated, "It has been demonstrated, and proven, that the closer a VA hospital is to an established, accredited medical school, the greater will be the availability of highly qualified medical personnel and highly specialized procedures and facilities."

The Veterans Administration, in its own analysis of available locations in the Portland area, reached the same conclusion. Now, Mr. Chairman, your committee may hear testimony that on selecting the site on Marquam Hill, the VA overrode its own consultants.

Let me lay that myth to rest for the record. The facts are these. First, the study was made to help the VA, to facilitate their decision on possible sites, but it was never intended to represent the VA's decision on siting itself.

Second, the study was done by an architectural firm, not medical professionals, using a set of criteria weighted 75 percent toward construction-related findings. Only 25 percent weight was given to medical considerations.

Third, the final conclusion of the consultants was that the best site for the new hospital was a site on Marquam Hill, next to the hospital, where the current hospital is located.

Some have tried to picture Portland as a community divided over the VA's plan, or a community openly opposed to it. It is true that at the political level there has been some division, but for the community itself, there is no evidence of division.

On the contrary, both of Portland's daily newspapers, the major dailies in Oregon, the Oregonian and the Oregon Journal, have strongly endorsed the VA's proposal. In fact, all the editorial opinion expressed in Oregon so far has been in favor of the VA's proposal.

As for the public's opinion, there has been only one public hearing held in Portland on this matter. At that hearing about two and one half weeks ago, 23 people spoke in favor of the VA's plan. Four witnesses supported the Emanuel site, three spoke for other sites and two witnesses proposed other alternatives that I deem impractical.

Last week, a 3-day poll by a local doctor produced a petition signed by 128 physicians in private practice in Portland. They all supported the VA's plan. The Oregon State Board of Higher Education endorses the VA position, and in my official testimony, I would like to submit for the record a statement of the board of education.

[The statement follows:]

STATEMENT OF OREGON STATE BOARD OF HIGHER EDUCATION

RESOLUTION IN SUPPORT OF REPLACEMENT OF THE PORTLAND VETERANS' ADMINISTRATION HOSPITAL ON THE MARQUAM HILL SITE PASSED BY THE OREGON STATE BOARD OF HIGHER EDUCATION ON MARCH 25, 1977

Whereas the Portland Veterans' Administration Hospital has served as a major regional facility for the health care of veterans from Oregon and nearby states since 1928; and

Whereas this 527-bed facility cannot meet present standards for efficient, economical and safe operation; and

Whereas the Veterans' Administration has announced its intention to replace this outmoded facility with a new hospital; and

Whereas divergent views and conflicting pressures for alternative sites within the City of Portland and elsewhere have threatened to delay this capital program or jeopardize its present priority listing in the federal budget for fiscal year 1978; and

Whereas, in early 1977, upon the recommendation of the Veterans' Administration President Gerald Ford approved Marquam Hill as the replacement site; and

Whereas the relationship between the Portland Veterans' Administration Hospital and the University of Oregon Health Sciences Center has been a mutually supportive one for the past 50 years, providing both high-quality health care for veterans and substantial support for medical education; and

Whereas the Veterans' Administration Hospital provides the educational facilities and teaching patients for one-third to one-half of the students, interns and residents of the School of Medicine at the University of Oregon Health Sciences Center; and

Whereas the federally-supported physician staff of the Veterans' Administration Hospital has full faculty appointments in the School of Medicine and contributes to the academic programs of the campus indistinguishably from their state-supported faculty colleagues; and

Whereas the removal of the Veterans' Administration Hospital from the immediate environs of the Medical School would have deleterious effects on the University of Oregon Health Sciences Center; therefore

Be it resolved, That the Oregon State Board of Higher Education hereby endorses the Marquam Hill site for the replacement of the Portland Veterans' Administration Hospital in the continuing interest of excellence in both medical education and veterans health care in Oregon; and

Be it further resolved, That copies of this resolution be sent to President Carter, the Director of the Veterans' Administration, and the members of Oregon's congressional delegation.

Mr. AuCoin. Oregon Governor Bob Straus also endorses the VA's plan. He's asked me to convey his support to you today, and his letter of endorsement is attached to the testimony I've submitted, to both you and the Committee and also, Mr. Chairman, former Congresswoman Edith Green also supports the VA plan. I have a letter from her, a telecopied version.

[The letters follow:]

OFFICE OF THE GOVERNOR,
STATE CAPITAL,
Salem, Oreg., March 25, 1977.

HON. LES AUCOIN,
United States Representative,
Portland, Oreg.

DEAR LES: This is to confirm our telephone conversation of last week reaffirming my continued support for building the new Veterans Administration Hospital on Marquam Hill.

Without attempting to review all of the pros and cons of the various sites which have been considered, I will try to summarize my present position on this matter. First, I believe it is important that the outmoded V.A. facility in Portland be replaced. This facility no longer meets current standards for safe and efficient operation.

Second, it is reasonable to select a replacement site convenient to the majority of veteran patients who are to be served. Demographic studies conducted for this purpose indicate the site should be within the city of Portland. Additionally, it is my belief that the mutually beneficial relationship between the V.A. Hospital and the Medical School should be maintained.

The Veterans Adiministration has consistently maintained that high-quality health care for veterans is facilitated if this close relationship to the Medical School is preserved.

Spokesmen from the Health Sciences Center have indicated that the cost of medical education would rise appreciably if the V.A. hospital were located at a site far removed from their campus. Their arguments that V.A. physician staff could no longer teach medical students as efficiently as they do now has also been supported by the director of the Portland V.A. Hospital. I believe these positions are based more on a concern for cost effectiveness in medical education and patient care than on a belief that quality health care can only be delivered on Marquam Hill.

With regard to congestion on Marquam Hill, you have my assurance that I will continue to maintain a critical interest in the environmetal impact of this construction program. While no definitive plans have yet been brought to my attention, I believe the Veterans Administration will make every effort to include adequate parking facilities and better access roads in the design of the replacement facility.

I authorize you to present this statement to appropriate Congressional committees reviewing this matter.

Sincerely,

ROBERT W. STRAUB,
Governor.

APRIL 4, 1977.

HON. EDWARD P. ROLAND,
Chairman, Appropriations Subcommittee on HUD-Independent Agencies, The Capitol, Washington, D.C.

DEAR EDDIE: The Veterans Hospital is in the Congressional District I represented for some 20 years. I worked closely with the directors of that hospital and the staff, as well as with individual veterans and veterans' groups for the last 25 years.

A dozen years ago, some of my colleagues and I started work to get a new veterans hospital in Portland. It would be a tragedy if the highest quality care of veterans was sacrificed as we argue over the site location. All of the years I was in Congress, to the best of my knowledge, the Oregon delegation favored the Marquam Hill site because of its close proximity to the University of Oregon Medical School. A new facility is urgently needed. This urgent need for this new facility is not in dispute; the only thing that seems to be in dispute is the location. I strongly favor the present Marquam Hill site. Every organized veterans' group in the state, the veterans' auxiliary groups, the Governor of the state, and the State Board of Higher Education all are on record as favoring the location of the new veterans hospital on the present site—Marquam Hill. The availability of higher quality medical care has been the determining factor. I join Les AuCoin and these various veterans' groups and Governor Bob Straub in urging the Appropriations Committee to appropriate the necessary

funds this year to replace this outdated present hospital with a new facility so that the veterans of this region can continue to receive the same high quality care that they've received over the last many years.

Sincerely,

EDITH GREEN.

Mr. BOLAND. What are the Senators' positions on this?

Mr. AUCOIN. I think you will have to speak to them on that, Mr. Chairman, but I would like to get into some of the facts.

The opponents of the VA plans said the Marquam Hill neighborhood opposes building the new hospital on the hill. On the contrary, the Homestead Neighborhood Association is committed to supporting and working with the VA on the construction of a new hospital next to the medical school.

I quote from the association's most recent letter to the VA:

The neighborhood as a whole is supportive of the Veterans' Administration in its efforts to provide needed medical services to the veteran, and recognizes such care will be enhanced by co-locating veterans medical facilities as much as possible with the University of Oregon Health Sciences Center.

In that letter, the group did raise a concern about the VA's plan to consolidate all its outpatient services in the new hospital because of the potential increase in traffic. In response to that concern, the VA changed its plan and decided to leave a satellite outpatient clinic in downtown Portland.

I point this out, Mr. Chairman, to illustrate the close cooperation the Veterans' Administration has shown with the neighborhood. The Chief Medical Director of the Veterans' Administration, Dr. Jack Chase, traveled to Oregon last year specifically to meet with the Homestead Neighborhood Association and establish this kind of direct communication.

Mr. Chairman, I want to emphasize my support for the VA's plan now before your committee. I respectfully urge your committee to approve it as presented by the Veterans' Administration. If this committee decides to look at alternatives, let me suggest one that I believe protects the most vital element of top quality medical care for the veteran.

As an alternative, if the committee so chooses, I suggest that the Barnes Hospital in Vancouver remain in full operation, that the VA build a simple replacement hospital on Marquam Hill roughly comparable in size to the current 527-bed facility, and that the VA continue its plans to keep its ambulatory care outpatient facility in downtown Portland.

Such a plan, Mr. Chairman, would protect the essential ingredient which results in the best possible medical care for our veterans, namely, the closest possible proximity between acute-care hospitals and medical services for veterans, through the medical schools.

Mr. Chairman, in all of the debate on siting, challenges to locating the new hospital on Marquam Hill have never seemed to be based on medical concerns. Supporters talk about a lot of other things, about the ease of accessibility in their location, or they talk about urban renewal or economic stimulation in other areas of Portland, or they talk about any number of other things.

I say to you that the bottom line in this consideration ought to be the highest quality care for the veteran and that all other considerations should be deemed secondary.

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Mr. BOLAND. That is the sole concern of the VA, I would think.

Mr. AUCOIN. I agree with that, Mr. Chairman. I think the essential question of those who would want to disrupt this close relationship, or remove this close relationship between the medical school and the VA should be this question:

What do they offer to the quality of health care provided the veterans that is superior to what the VA now enjoys, because of its close relationship with the University of Oregon Health Sciences Center?

That is the essential question, and it has never to this date been answered. Mr. Chairman, I believe that moving the VA hospital away from Marquam Hill will limit and restrict the current cooperative arrangements between the VA and the medical school. And I believe that means the quality of the medical care the veterans will get will be diminished. More than 25 years of VA experience backs this up.

Mr. Chairman, I have with me this morning Dr. Lewis W. Bluemle, president of the University of Oregon Health Sciences Center. I have asked him to come to Washington to tell this committee what the VA now enjoys because of its relationship with the health sciences center and what the facility stands to lose by moving it off Marquam Hill.

I would like to turn the testimony over to Dr. Bluemle.

Mr. BOLAND. Thank you very much, Les.

Dr. BLUEMLE. Thank you. I appreciate this opportunity to add to the Congressman's remarks. While I am the president of the science center, my feelings on this come more from my 18 years experience as a consultant physician to several VA hospitals.

I too, strongly support the Veterans' Administration position to replace outmoded facilities on Marquam Hill with a new hospital there. The reasons for my convictions are expressed more fully in my written testimony there. In the short period of time I have, I would simply like to illustrate some of them.

Briefly, medical schools have traditionally been about 3 to 5 years ahead of community hospitals in the development of diagnostic and therapy techniques that are applicable to certain diseases.

VA hospitals that are in close association with such medical schools frequently have the benefit of these refinements and discoveries quite early on.

I know this from personal experience, because in the early 1950's, I was one of the first physicians in this country to work with the artificial kidney and it was available to my patients at the Philadelphia hospital, as well as at the VA hospitals.

In this regard I think the story of Oregon is more impresive. One of our faculty members, Dr. Starr, developed some years ago the Starr-Edwards heart valve. It was immediately available to his patients at the Portland VA Hospital, where he had as much regard and a sense of obligation to those patients, as he did for his patients at the medical school.

In the area of cancer treatment, we are closely related in a joint program which treats about 20 patients a day.

Heavy radiation equipment is based at our university hospital. The VA patients come to the university hospital and receive that therapy. On the other hand, our own faculty staff who are experts in radiation therapy and chemotherapy make frequent visits to the VA hospital.

Mr. BOLAND. How old is the radiation facility?

Dr. BLUEMLE. There are various pieces of equipment that date from different periods but it goes back as far as 1956.

Mr. BOLAND. How often is it used by those treating veterans?

Dr. BLUEMLE. About 20 a day.

Mr. BOLAND. Thank you.

Dr. BLUEMLE. Last year about 1,000 veteran patients were taken care of by our nationally prominent members of our department of ophthamology, really a fine, excellent staff.

This involved 6,000 ambulatory visits by veteran patients and 500 major surgical operations for serious eye diseases.

Many of the operations involved not only our staff based at the university hospital, operating either at the VA or at the hospital, it involved very expensive equipment that has been procured by the university hospital and it is not duplicative.

Because our campus is the same, that is, the VA hospital lives on our campus, or we live on theirs, we have been able jointly to attract a first class well-trained staff of VA physicians who are quite up to date in their fields.

Almost all of the VA staff have faculty appointments at the school of medicine and we do work like a team. This was best illustrated to me when two years ago one of the VA physicians was appointed by the faculty as chairman of the board of medicine, one of the most prestigious faculty appointments we have.

On the whole, the VA hospital serves a terribly important role in medical education, as well.

About a third to a half of our students in their clinical years are based at the VA hospital and its 500 teaching beds are available to the University of Oregon as are the hospital beds next door.

This is an efficient relationship in that the students don't have to travel too far to get to a ward lecture or what have you. These are the few examples of the wisdom of the people that built these two institutions together on Marquam Hill almost 50 years ago, as that photograph shows.

It has been contested that there are good VA hospitals that are not situated immediately adjacent to medical schools. I would agree with that. The University of Minnesota has been mentioned as one such institution. It is a fine one, but I happen to know the working relationship between the University of Minnesota Medical School and the VA hospital. While both are fine institutions, there is not the fine close working relationship where the department chairmen visit, for example, back and forth. They don't consider them to be their seniors, for example.

In my judgment, there would have to be a very persuasive reason to dismantle this mutually beneficial close working and close physical relationship which has proved so successfully cost-effective, over the years, since World War II.

I have heard no such convincing arguments so far, and therefore I strongly recommend that you endorse and fund the plan supported by the VA.

[The complete statement follows:]

STATEMENT OF LEWIS W. BLUEMLE, JR., M.D.

My name is Lewis W. Bluemle. I am a veteran and I am president of the University of Oregon Health Sciences Center.

I am appearing before you today to endorse the Veterans Administration recommendation for replacement of the Portland Veterans Hospital on its present site on Marquam Hill.

For the bulk of my 30 years as a physician, I have taken care of veteran patients both at hospitals closely associated with medical schools and at ones some distance away from them.

As a physician and medical educator, I know from first-hand experience the value of a close working relationship between VA Hospitals and medical schools in providing quality health care for veterans.

In the Portland case, the consumers of health care, our veterans themselves, have spoken directly and vigorously on the subject of the location of the Veterans Hospital in our area. And the providers, the Veterans Administration and the responsible health professionals, have spoken just as intensely. Both consumers and providers favor the Marquam Hill site.

But, I speak as the steward of Oregon's only university for the health professions. From that position, I am probably best able to assess the effects of our mutually supportive and interdependent relationship on patient care for veterans and to speak to the impact of the Veterans Hospital on medical education in Oregon.

Today, however, I want to emphasize our concern that the traditional role of the medical schools' contribution to the provision of quality of care for veterans not be diluted. Our support of the Veterans Administration effort to strengthen VA programs has, of course, a direct relationship on the quality of our educational programs and, should the Hospital be moved to another site, an important ingredient in quality medical education in my state would be lost. Equally important, the impact of my institution on quality care in the Veterans Hospital would be substantially reduced.

The points I would like to bring to your attention can be summarized briefly:

1. Quality of care for veterans will be diluted if the hospital is removed from its present setting.

2. The Veterans Administration Hospital in Portland is a major educational resource to the State of Oregon.

3. The University of Oregon Health Sciences Center is heavily dependent on the Portland VA Hospital for quality medical education and our mutually supportive relationship is critically dependent upon our proximity.

Let me expand, if I may, on these points.

The Veterans Administration system is designed to provide the veteran patient the highest quality of medical care and its plan for mutually supportive and interdependent relationships with medical schools insures that this philosophy will be fact.

One of our distinguished surgeons described the importance of this interrelationship very well.

He said, in recent testimony on the location of the VA Hospital, "The needs of the veteran should come first. The most important question is where will veterans get the best and most modern care.

"A medical school is frequently three to five years ahead of care provided in community hospitals. This is true in all departments. Since, in our case, the facility is one (we can walk between our two institutions) what is available at the UOHSC is available at the VA Hospital. Artificial heart valves, for example, were developed at the HSC and were immediately available at the VA Hospital in Portland. It was several years before other VA facilities or community hospitals had access to these devices. This same experience can be documented in other areas, such as cancer treatment, gastrointestinal diagnosis, endocrine diagnosis and treatment in a host of other areas. While the gap may be closing, there will always be a time lag between development of new knowledge and its application to patient care. But, by being closely allied to the HSC, the Portland Veterans Administration Hospital does not have this time lag. This is the paramount reason that the new facility should be placed in close proximity to the University of Oregon Health Sciences Center."

He went on, "The question of location of the Hospital must not be answered self-servingly, nor should it be masked by specious arguments as difficulty of access. We all know anyone who is sick enough has no difficulty getting anywhere optimum care is provided."

The VA Hospital's staff of 67 well-trained physicians are active faculty members in our School of Medicine. As a result, we help the VA attract highly qualified physicians who wish to stay at the forefront of their fields through con-

stant participation in the teaching and learning process. Each party feels a strong obligation to help the other succeed in both good patient care and good education. Indeed, the relationship is one where both partners know they are on the same team on the same campus. This fact was illustrated most vividly to me when a VA physician was chosen interim chairman of our School of Medicine's department of medicine in 1975.

My concern, and that echoed many times over by our faculty and VA physicians, is that based on their experience (and mine): (1) collaboration among faculty is a major strength in recruiting new VA physicians and new Medical School faculty; and (2) separation reduces efficiency and effectiveness and interferes with patient care, teaching and research responsibilities.

Let me give you some specific examples:

Two VA Hospital physicians transferred to Portland from a Veterans Hospital in another part of the country, which was separated by 11 miles (a 15–20 minute car trip), partly because this separation infringed on their teaching, research and patient care duties at both institutions. Their major reason for deciding to transfer to Portland was the proximity of the VAH to the University of Oregon Health Sciences Center. One of these men points out that the new VA Hospital in Augusta is being built on grounds adjacent to the medical school hospital in order to accommodate patients and doctors and to better utilize equipment and staff support.

Speaking for the UOHSC ophthalmology department and the VA Hospital opthalmology department, another physician reports that each year 1,000 veterans with serious eye disease make 6,000 outpatient visits to the eye services at the Portland VAH. Annually, 500 major eye operations are performed at that hospital and hundreds more minor operators. This magnitude of high quality service for the visually handicapped veteran is possible only because the patient care, education and research services at the VA Hospital and School of Medicine are completely integrated to a degree that is not possible in communities where the affiliated VA Hospital and medical school are physically separated. He points out that this integration and utilization of faculty, staff and specialized and very expensive equipment make eye care the best possible available. Further, the integration avoids duplication of staff and equipment and delay of clinical care.

The chief of medical service at the Portland Veterans Hospital reports that the proximity is essential in recruiting high quality residents as well as high quality senior physicians to supervise patient care, conduct teaching and participate in research programs. Prior to integration with the School of Medicine, the Portland VA Hospital mirrored experience in other areas of the country and had a continuing problem in interesting well-qualified physicians at all levels.

The chairman of our department of radiation therapy, speaking not only as a physician and faculty member, but as a former Veterans Hospital patient, makes several trips each day to the adjacent VA Hospital as do other members of his staff who have responsibilities in both institutions. He emphasized the importance of this accessibility when he reported that in a single day recently, 21 patients from the Veterans Hospital were seen in his department. This kind of exchange occurs many times over at our institution and is an obvious result of our proximity.

In the area of cardiology and cardiovascular research, it should be noted that departments in the two facilities have grown over the past 15 years into mutual interdependence and partnership. Landmark efforts including development of artificial heart valves, pacemakers and other devices have occurred. The cost of diagnostic equipment and the heavy obligation of space and personnel to carry out such a program is difficult for a VA Hospital to maintain on its own. There is no other program of this kind in the area. If this were not available, patients would have to travel to Seattle (in the near future it is anticipated that Seattle patients will be coming to Portland for open heart surgery), San Francisco or Minneapolis. The reputation of the University of Oregon Health Sciences Center is an absolute necessity to recruit Veterans Hospital staff.

The current chairman of our department of medicine cites the fact that integration of the two facilities allows both pre-doctoral and post-doctoral students to avail themselves of patients and patient care facilities in both hospitals. This training program is one of the most respected in the United States and one reason is the total resources of the two institutions that provide a well-rounded training experience.

The head of the UOHSC's division of metabolism and associate chief of research at the VA Hospital has spoken to the importance of research activities, noting that over the past years the research service at the Portland VA Hospital has attracted about $700,000 annually. These funds have been received, he said, because the VA Hospital is able to recruit qualified physician teachers due to the affiliation with the University of Oregon Health Sciences Center. The quality of medical care and biomedical research would be diminished, he said, by moving the hospital away from the HSC. Affiliation might remain, but the physical proximity fosters more active interchange between the institutions and higher quality medicine.

This exchange is not limited to the School of Medicine, because the interrelationship of the Veterans Hospital encompasses the entire Health Sciences Center. Just now our School of Nursing is negotiating to provide joint appointments for its faculty to serve at the Veterans Hospital in the dual role as teacher and skilled clinician. This plan will have a positive impact on patient care in the Veterans Hospital.

It should be remembered that the present VA system was constructed on the philosophy of placing facilities as near as possible to medical schools so that veteran patients have immediate access to the physician expertise and array of specialties that are available at a medical school. The result is a joint sharing of physicians which reduces duplication of hospital staff at a VA Hospital and cuts the cost of medical education.

The Portland Veterans Hospital must be looked at as a major educational resource for it provides as many teaching beds (about 500) for health professional education as does our own University Hospital. The VA Hospital accommodates between one-third and one-half of our medical students and resident physicians in clinical training. Our close relationship has existed since 1946 and our medical student enrollment, now at 450, has been predicated on its continuation. The existence of the Veterans Hospital has made possible the expansion of our medical student classes by 35 per cent in the last ten years.

Use of the VA facilities in support of our educational programs is not limited to the School of Medicine. The School of Dentistry uses the facility as does our School of Nursing where students work in both the VA Hospital and its clinics as active participants in providing primary care to patients. Audiologists and speech pathologists, dieticians, medical and laboratory personnel, pharmacists, rehabilitation medicine therapists, psychologists and social workers all receive some of their education at this resource. This contribution to the Veterans Administration Hospital is possible because of its location adjacent to the University of Oregon Health Sciences Center.

As a regional health facility, the Veterans Hospital serves patients in Oregon, Washington, Idaho, Northern California, Hawaii, Nevada, Alaska and Utah. Not only does this provide a broad reservoir of patients for teaching purposes, but allows development of clinical care programs that would not be possible without this sizeable and diverse patient base—and the adjacent relationship with a Health Sciences Center.

I would be less than candid if I did not admit that the loss of the VAH to the Health Sciences Center would increase the cost of medical education in Oregon substantially.

If the VA Hospital is moved away from Marquam Hill, it will tend to make each institution, the School of Medicine and the Veterans Hospital, more independent than interdependent. In my judgment, the School of Medicine would be forced to request between 30 and 35 new faculty positions at a cost of about $1 million annually. Since our present funding per student is only about 80 per cent of the national average, there is some doubt that this request could be fully met from Oregon's general fund. In this event, we might have to choose between a reduction in student enrollment and a reduction in the quality of our educational programs. Neither alternative would be in the best interest of the State of Oregon or the nation.

With the separation of the two facilities it would be difficult for us to place the same emphasis on the Veterans Administration Hospital programs—on contributing to quality of care for the veteran patient—that is possible now. We recognize the importance of Dr. Chase's efforts to strengthen the VA system through close relationships with medical schools and wholeheartedly support them.

I, therefore, respectfully request the Committee approve the Veterans Administration recommendation for replacement of the Portland Veterans Administration Hospital on Marquam Hill.

Mr. BOLAND. With respect to the alternative that Les suggests, or if we didn't go the route of putting the full facility on Marquam Hill, and building a VA hospital in Vancouver, what would be your response to that?

Dr. BLUEMLE. I look at it in terms of a trade off. The trade-off advantage would be——

Mr. BOLAND. What about costs?

Dr. BLUEMLE. The operating costs would be greater, according to the analyses that I have seen, by as much as $1 million a year.

The disadvantage to education would be, I think, that we wouldn't have quite the opportunity that we would otherwise have, of emphasizing long-term care and geriatrics in medical education.

Mr. BOLAND. How large would the facility at Vancouver have to be? If Marquam Hill were reduced—would you suggest 500 as the alternative?

Mr. AUCOIN. Approximately 527. That is the current size. I was referring something closely equivalent to that, with some leeway, perhaps 550. There are 120 beds for long-term projected care and—I believe there is 530 now on Marquam Hill. If the remainder had to go into Vancouver, it would be perhaps 250 acute care beds, plus 121.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. No questions, Mr. Chairman.

Mr. BOLAND. Thank you very much.

Les, do you have anything else to add?

Mr. AUCOIN. Only, Mr. Chairman, I want to make the record clear that I am supporting the VA position.

Mr. BOLAND. I think you made it perfectly clear. It was a fine detailed statement. Thank you very much.

Mr. AUCOIN. Thank you, Mr. Chairman. I appreciate your time and the time of the members of the committee.

Subsequent to the hearing Congressman AuCoin submitted an additional statement for the record.

[The statement follows:]

APRIL 7, 1977.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD-Independent Agencies, House Committee on Appropriations, The Capitol, Washington, D.C.

DEAR Mr. CHAIRMAN: Thank you again, Ed, for listening so attentively Tuesday to our concerns on the Portland VA hospital siting problem.

There was a point covered in other testimony which I didn't discuss, but I think it needs to be addressed. The comment was made that because the federal government already has made a significant investment in the urban renewal of the Emanuel Hospital neighborhood, it makes sense to follow up on that by building this major federal VA hospital there.

I take a back seat to no one in efforts to rebuild our cities. That's been a major thrust of my work on the Housing Subcommittee. I'd be the first to support capitalizing on our federal stake in that area if what we were proposing was a new federal office building or perhaps a public works project.

But what we're building is a tertiary care hospital for veterans. And when the issue we're dealing with is people's health—and people's lives—then it seems to me our first concern has to be giving them the best medical care available. All other considerations should be secondary. As the President of Oregon's medical school pointed out in his testimony, the relationship between the school and the VA hospital would have to be cut back if the two are separated, and that would cut back on the level of care veterans would receive.

At first blush, it may seem inviting to use the VA hospital as a follow-up on federal investment in the Emanuel area. But if that were the issue, we'd have to look at the capital investments on Marquam Hill at the medical school. For

example, the federal share of two new buildings at the medical school (built in 1972) is more than all the money invested in the Emanuel neighborhood urban renewal project.

But, again, I don't think that's the main point. The best medical care for the veteran is the point. And I believe that can be provided by following the VA's plan.

With warmest personal regards,

Sincerely,

LES AUCOIN,
Member of Congress.

PORTLAND VA HOSPITAL

WITNESSES

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

C. LESLIE WIERSON, CHAIRMAN, BOARD OF DIRECTORS, EMANUEL HOSPITAL, PORTLAND, OREG.

ROGER G. LARSON, PRESIDENT, EMANUEL HOSPITAL, PORTLAND, OREG.

JOHN WESTLEY, DIRECTOR OF PLANNING DEVELOPMENT, METROPOLITAN HOSPITALS, INC., PORTLAND, OREG.

Mr. BOLAND. We are pleased to hear one of our distinguished colleagues from the State Oregon, Hon. Robert Duncan. He appears here with some of his own witnesses. As I indicated to Les, this is controversial issue. That is what makes a horserace though. Bob, you can handle it any way you want.

Mr. DUNCAN. I am here primarily to introduce Mr. Larson, Mr. Westley, and Mr. Wierson, who is chairman of the board of Emanuel. Mr. Larson is president of Emanuel Hospital and Mr. Westley is director of planning and development—Metropolitan Hospitals, Inc., of Portland, Oreg. The latter is a combination of several hospitals in the Portland metropolitan area. This is a somewhat controversial item and yet, through it all runs the thread, I think on all sides of this question, that all anybody really wants is the best care for the veteran at the least possible cost.

Mr. BOLAND. I think that's the responsibility of this subcommittee, of Congress and the Veterans Administration. At least we can start on that base. We all agree on that.

Mr. DUNCAN. Yes. There is some disagreement on how to arrive at that happy solution. When I first read about it, peripherally about it in the newspapers, it appeared to me there was no question it ought to be in complete association with the university hospital. That is, that they ought to be contiguous. The more I got into it, and the more I saw none of the plans, none of the site surveys, recommendations of the site committee, or even the final conclusions of the Veterans Administration, put the two institutions in a contiguous situation. Specifically there where bridges and tunnels and so on that would facilitate the passage of personnel, doctors, nurses, personnel back and forth. I began to look into it a little more closely. It seemed to me the more I looked, the less the facts really led to the Marquam Hill site. The more I looked at it, even beyond that, the more it occurred to me that it was probably unfortunate the State of Oregon went up on Marquam Hill in the first instance.

They did so, I think, out of a desire to take advantage of a very benevolent grant. I suppose when it was a small institution that was all right but the State of Oregon has gotten in trouble before accepting free facilities, then later having to move the whole institution complex.

Once you got away from the point of contiguity with the other institution you are only talking about a quantitative thing. How far away should it be, can it be and still get the synergistic effect if an amalgamation with the medical school, which is good?

Mr. BOLAND. The last 16 hospitals that have been built have been affiliated with a medical school. That was the determination of Al Thomas, who served this subcommittee, a giant in every respect, physically, mentally and everything else, from Texas, and I'm sure it was not persuasiveness that enabled the VA to come around with this policy but it certainly assisted.

Mr. DUNCAN. My observation has been that this synergistic result occurs when the two institutions are even in the same community. In this particular instance, we are talking about a very tiny difference in the amount of time and inconvenience it would involve to get from the university hospital on Marquam Hill to Emanuel. This opposed to the university on Marquam to a veterans hospital site on Marquam, but still removed from the immediate adjacency of that institution.

And I just think that quantitative difference is very small. Then, when you look at all the rest of the factors, the facts lead you to the Emanuel site. I think it's significant that the site consulting engineers really, when they set out the criteria under which they make their judgment, included proximity to the medical school. On that evaluation, the Emanuel site came out No. 1. On a percentage basis, if you look at the original site selection, you will see that's true. Nevertheless, in spite of those percentage gradients, elected to go up on the hill, saying as their reason the proximity to the medical school, which was already one of the criteria they had evaluated. It was for that reason that Congressman McCormack and I asked the GAO to look into the whole process on the theory, if there are good sound reasons for it to go on Marquam Hill, we would support it but so far we haven't seen them.

The GAO in their report really came out with substantially the same criticism. If there is a better reason to go on the hill, as far as I'm concerned, I haven't yet found it. I shall say no more. I have got to go off to my own committee, but I would like to leave these gentlemen with you, cross-examine them as well as you can, because we are all interested in the same objective.

Mr. BOLAND. We would be delighted.

Mr. DUNCAN. Thank you for the time. I commend these gentlemen to you.

Mr. BOLAND. We appreciate your coming, serving on the full Appropriations Committee as you do, we understand it is pretty hard to spread yourself over three subcommittees, but we appreciate you being here.

Mr. Wierson, were you going to be the spokesman?

Mr. WIERSON. I would like to second Congressman Duncan's idea. Emanuel's reason for being here, is that we believe we have a site worthy of consideration.

We also agree that the quality of care for the veterans is the most important consideration. The veterans hospital is going to be part of the Portland community, too, therefore siting of the hospital from this standpoint should be considered.

I want to draw to your attention the two photos I included with my testimony. One is the Emanuel site and one is the Marquam Hill site. Both of these are recent photographs, taken within the last week. There is also attached to my testimony a copy of a recent report, directed to the Marquam Hill community. Actually it is the residential area around Marquam Hill, which really outlines some of their concerns about location of these facilities on Marquam Hill.

I want to talk primarily about the benefits that I think we have at the Emanuel site. First, I have to note, I am in favor of the Emanuel site, but also I think there are some serious problems with expansion and additional facilities on the Marquam Hill site. In the photograph itself, you can note the difficulty of the terrain and such in that site, and you can obviously see and understand that there are serious traffic problems and congestion in that area right now. Parking is a major problem. Anytime I go to the medical school there——

Mr. BOLAND. Is that a problem now? This hospital has been on that hill since 1923—for 54 years.

Mr. WIERSON. Throughout that general area it is a problem. It is difficult to find parking places. This is testimony based primarily on personal experience.

It is also a difficult area to get to in the wintertime. It concerns me somewhat that, with the addition of a major facility up there, you will be changing the vegetation and the existing land slopes in that area. That, I feel, could cause not only problems for the residential people nearby but also problems with landslides and storm water removal from that area. The Marquam Hill site is also more expensive from the standpoint, I feel, of having (1) to have additional access roads and (2) to improve sewer facilities, in that area. In contrast to the deep slopes that you find on the Marquam Hill site, I would like to draw your attention to the photo of the Emanuel site, which is just across the river, very close in proxmity to the Marquam Hill site. The east side of the river is relatively flat, consisting of material laid down by the Columbia River, mainly sandy soil materials; it has good access all the way through it.

The soil conditions and such for building foundations are excellent. The small white building you see adjacent to the older portion of the hospital was completed within the last 2 months. That building goes down some 20 feet in the ground.

I have looked at the figures that indicate the cost difference between the two sites and the VA comes out in favor of the Marquam Hill site. I just cannot, as an engineer, understand how those costs were developed. Just looking at the two sites would lead me to believe that building the same facility at the Emanuel site would have to cost less than building in the very steep terrain of the Marquam Hill area.

In addition to the direct factors, the VA has to look at some of the indirect benefits that should be considered in locating the facility. The existing site at Emanuel is accessible, it is in a model cities area, and it has been in an urban renewal project for quite a few years now. This area, in the late 1940's and 1950's, degraded quite considerably. The

city has put a considerable amount of money into this area and it is coming back very strongly. The older homes are being restored, and it is becoming again the type of community it was when I went to grade school and high school here some 20 years ago.

We feel that you should take into consideration these secondary benefits that would make location of the hospital very vital part of the restoration of the area.

The other factor I think that you have to consider is the impact of the taxpayers' money that has already been spent in that area. The area will continue to grow and be developed, and there has been some $7 million spent to date on the Emanuel urban renewal site and approximately $17 million in the whole area.

There is also, as you see, a very expensive interstate freeway system adjacent to us, on which some $5 million has been spent on freeway ramps. I don't mean to imply that if the VA hospital is not located here all those funds will go to waste, but there is an indication that this area has been developed for this type of improvement. It is a medical complex. It is what the city planned for, it is what the Portland Development Commission and HUD had in mind for this area. These funds have been spent and because they have been spent, the Emanuel site should lower the total cost to the VA and to the city who would have to make other improvements if the hospital were to go on the Marquam Hill site.

The second part that I have difficulty with is the contention that the quality of care would be affected by locating the facility at the Emanuel site. As chairman of the board of a major hospital, a teaching hospital in Portland, I question that reason. If this were the case, I would think that every major teaching facility hospital in Portland should be located right next to the University of Portland.

Emanuel is a teaching hospital. You have seen testimony before of the number of doctors that we have on the teaching staff, with some 30 surgeons, 15 urologists, 15 plastic surgeons, 30 orthopedic surgeons, who have clinical teaching appointments at the University of Oregon Health Center. You will hear from these two gentlement more about the joint programs now underway between the medical school and the Emanuel Hospital.

It is only 12 minutes by car between Marquam Hill and Emanuel Hospital. This trip is primarily by portions of freeway and secondary roads. The city council will consider on April 14 the opening of the Fremont Bridge ramps, if this is built and we expect it will be, a very minimum would be needed to serve the Emanuel site from the Fremont Bridge, and travel time would be even shorter. In going from the medical school to the VA hospital right now, must take at least 5 to 10 minutes of walking, getting in and out of your car to go between those two sites. It is not just like walking across the street.

I think the one thing that everyone in Portland would agree upon, is that if we were building a medical school today I am not sure that we would put it on top of a mountain again. It is a beautiful site, it is great for a residential area, hiking and viewing the mountains, but it is a difficult site to work with and for people to utilize.

I think you ought to consider in the future whether the facility should be put back adjacent to the Marquam Hill Hospital or nearby

at the Emanuel site, where you have relatively flat land in an area that would be easy to get to by the veterans.

[The complete statement follows:]

STATEMENT OF C. LESLIE WIERSON

Mr. Chairman and members of the committee: my name is C. Leslie Wierson. I am a professional engineer and the Portland Regional Manager of a national consulting firm in the fields of engineering, urban planning, economics, and the environmental sciences. I speak to you today as Chairman of the Board of Directors of Emanuel Hospital. My purpose in appearing here today is to recommend to you the merits of the Emanuel site for the new Veterans Administration facilities to be built in the Portland metropolitan area.

The initial adverse environmental impacts of the proposed Veteran Administration hospital project on Marquam Hill are expressed as follows:

1. Intensification of land uses within the overall medical complex could overburden the traffic capacity of Terwilliger Boulevard, Sam Jackson Park Road, and several streets used for access to the hospital complex. Further, unless provided for adequately as part of an overall plan for the medical complex, the amount of parking generated by the VA hospital and the University of Oregon Health Sciences Center could adversely affect surrounding residential neighborhoods.

2. Modification of vegetation will change the character of the site and alter the environment of nearby properties.

3. Modification of the site's steep slopes may affect surface water runoff from properties located in the same drainage basin, and perhaps cause erosion and contribute to the possibility of landslides. The unstable soils in the area would be vulnerable during a major earthquake.

4. There will be an appreciable cost to local government for providing additional facilities to accommodate the increased needs of Marquam Hill.

5. Building a million-square-foot building on Marquam Hill could adversely affect the view of existing residences, and the aesthetic qualities of the area.

6. Building a major structure implies a long-term commitment to the site. Long-term impacts may develop which are not evident at the present time.

In contrast to the steep slopes and slide hazards at the Marquam Hill site, the Emanuel site is flat and its suitability for building foundations is rated as excellent. The extra costs of development on Marquam Hill would not be necessary at Emanuel. Whereas traffic access to Marquim Hill is severely constrained, the streets in the vicinity of Emanuel Hospital provide direct access to the regional freeway network and have adequate capacity to handle the increased traffic volumes associated with a major new hospital. As a federally-designated Urban Renewal District since 1969, the Emanuel site has received extensive improvements in urban services in anticipation of major institutional development. These have included major sewers, water supply, and street improvements. As the site selection study concluded, the Emanuel Hospital Urban Renewal District is an excellent site for a new Veterans Administration Hospital.

In locating its new hospital at the Emanuel site, the VA would be taking advantage of two significant opportunities for realizing indirect benefits. One, it would be making an important contribution to the revitalization of Portland's Model Cities neighborhoods. Historically, these have been racially mixed and subject to the blight typical of urban core areas throughout the country. The city has a strong commitment to their improvement and substantial progress is already apparent. By providing employment opportunities and inducing new physical improvements and commercial investment in the area, the hospital would provide a healthy and much-needed push toward community revitalization.

The second opportunity afforded by locating the hospital at Emanuel would be to at once take advantage of and improve the productivity of existing federal dollar investments in the Emanuel Hospital Urban Renewal District and surrounding community. The Department of Housing and Urban Development has contributed $7 million to developing the Emanuel Hospital Urban Renewal District. Approximately $17 million have been expended in the surrounding community since the late 1960's under the Model Cities and Housing and Community Development programs. An estimated $5 million of Federal Highway Administration Interstate System funds are tied up in access ramps connecting to the regional freeway network. The Portland City Council now has an ordinance

before it which would allocate a portion of the city's Federal Aid Urban System funds to completing the connection of these ramps to enable use by facilities of the Emanuel Hospital campus. The return in public benefits from these investments would be substantially increased by siting the new VA hospital at Emanuel. Furthermore, they would decrease the financial burden to both the VA and the city of constructing a new hospital. As stated by Warren H. Butler, HUD's Acting Assistant Secretary for Community Planning and Development, locating the VA hospital at Emanuel "would greatly enhance and compliment the efforts presently being undertaken in that area by Housing and Urban Development, other Federal agencies, and the City to attract private investment to the Emanuel Hospital area."

The second point I wish to make is that the contention that locating the new VA Hospital on Marquam Hill would mean a higher quality of medical care for the veteran is groundless. Whatever is the value of close proximity to the University of Oregon Health Sciences Center, it has not been either defined or substantiated. Emanuel is a teaching hospital. Moreover, locating the VA Hospital at Emanuel would not end the relationships between it and the University of Oregon Health Sciences Center which bear on the quality of medical care. Contrary to the conclusions of the site selection report, locating at Emanuel would not represent a decrease in the quality of care to the veteran.

That other than immediate proximity to the Medical School is incompatible with ongoing mutually beneficial interrelationships between it and the VA Hospital does not comport with the facts. For example, of Emanuel Hospital's surgical staff, some 30 general surgeons, 15 urologists, 15 plastic surgeons, and 30 orthopedic surgeons have clinical teaching appointments at the University of Oregon Health Sciences Center. Physician cross-appointments are common among all of the area's teaching hospitals, providing medical care of equal quality to all.

It is now an estimated 12-minute automobile trip between Marquam Hill and Emanuel Hospital. The trip is made on the newest freeway link in Portland's system, a link which is uncongested virtually around the clock. When the freeway ramps mentioned above are opened, the driving time will be further reduced. There is no reason why regularly scheduled shuttle-type bus service could not be instituted between Marquam Hill and Emanuel. A linkage of this nature would support expanded cooperation between the Health Sciences Center and Emanuel Hospital as well, with increased benefits to all institutions involved and the veteran. If the value of close interrelationships between the University of Orgeon Health Sciences Center and the VA Hospital is as great as is contended, those interrelationships are not going to be terminated by exchanging a short bus or automobile ride for a 5 minute walk.

I have great faith in the wisdom of Congress to evaluate the site selection on an even-handed basis. I feel confident you will attach appropriate weight to all the factors surrounding the issue and will give favorable consideration to the Emanuel Hospital site. This selection will immeasurably benefit both the veterans residing in the State of Oregon and in the Vancouver, Washington area, and the community as a whole.

Thank you very much.

THE CITY OF PORTLAND, OREG.,
BUREAU OF PLANNING,
Portland, Oreg., April 4, 1977.

To recipients of Marquam Hill policy plan report:

The Planning Commission will hold a hearing on the Marquam Hill Plan on May 17, 1977. I think it is important that interested individuals and groups have as much time as possible to prepare their response to the recommendations we will offer to the Commission. Therefore, I am sending you this draft of our report to the Commission even though it is not in its final form. The major conclusions and recommendations are nevertheless included and you may begin to review these.

A special note is in order with respect to our recommendation that the VA Hospital be relocated near Emanuel Hospital. In my judgment, the case for the Emanuel site is clear.

1. The Emanuel site is easily the most accessible site for both patients and staff; and this accessibility is not gained at the expense of an existing neighborhood.

2. The geologic and terrain conditions at the Emanuel site are perfect and construction costs would undoubtedly be lower, possibly 30 percent lower by some estimates.

3. The Emanuel site is, at most, 10 minutes driving time from the Oregon Health Sciences Center—at a distance of less than five miles—thus assuring essentially the same convenience for doctors and students as the proposed Marquam Hill site.

4. The Emanuel site has the unqualified endorsement of the Eliot Neighborhood Association and the Model Cities Planning Board.

5. Location at the Emanuel site would give that area a boost in investment for the benefit of the City as a whole, would serve the City's redevelopment goals as well as the VA's medical service goals, and would be consistent with the Federal government's seven million investment in the Emanuel area as a medical center.

While location of the hospital at the Emanuel site is clearly consistent with, and supportive of, City and Federal goals in the Emanuel area, location of the VA facility on Marquam Hill will pose a difficult dilemma for the City.

The Traffic Engineer estimates that normal expected residential growth on Marquam Hill will add 60 percent more traffic to the major access roads of the Hill. Introduction of the significant additional traffic of a major hospital facility will surely tax the capacity of streets in the area, producing even more congestion than now exists on these streets, and adding as well to the noise and air pollution.

But, improvement of the major access route to the Hill, in order to reduce the congestion caused by the Hospital, will, according to the City Engineer, cost City taxpayers at least a million dollars, maybe as much as five million dollars. And, by reducing congestion, will also act to increase the number of trips to and from the Hill, in addition to what otherwise would have been expected.

So the City is left with no good choice. If the VA Hospital locates on Marquam Hill, residents and workers on the Hill will suffer increasing congestion as development on the Hill proceeds, unless the City assesses local taxpayers at least a million dollars to improve access, which action will then promote even more trips.

In either case, the City will find it hard to retain the desirable residential qualities of Marquam Hill.

In my judgment, the clear advantages to the City of Portland of location near Emanuel, together with the difficulties of access to Marquam Hill, are persuasive and conclusive. The staff recommendation to relocate the VA Hospital from the Marquam Hill site to the Emanuel site is based on those considerations.

I would like to emphasize that more than due consideration was given to the quality of health care which would be provided to the veterans of this state and region in arriving at this recommendation. When you cut through the smoke surrounding the phrase "quality of health care," you find that the "quality" depends only very indirectly upon the proximity of the VA and the medical school.

1. If the VA Hospital can offer prospective doctors a faculty appointment at the medical school, and in some cases, salary supplements, they are better able to attract medical specialists to the VA staff and, therefore, able to provide a full range of medical services in house. Thus, it is clearly in the interests of better health care for veterans for the VA to be able to offer faculty appointments at the Medical School to prospective VA staff.

But why would the VA's ability to offer teaching appointments depend upon physical proximity to the Medical School? It doesn't. Other doctors at other distant hospitals have teaching appointments with the Medical School. In fact, 145 doctors of the Emanuel Hospital have teaching appointments at the Medical School. To be sure, it is clearly more convenient for those with teaching appointments to be closer to the university, but it is also clearly not necessary, nor does it appear to be significant.

2. If the VA Hospital can offer a wider range of medical services than the Hospital itself provides on the premises by sharing arrangements with another nearby hospital, then better health care for the veteran is assured.

But Emanuel Hospital would presumably provide this, not only as a major hospital with health care service equal to the Medical School Hosptial, but as a provider of certain medical services unique to the area.

3. Assuring that university students could continue their training at the VA Hospital appears to be in the interests of the university and the students, not the veteran. So the quality of health care for veterans would not be affected adversely by moving the VA Hospital to a location which is less convenient for students.

At the same time, a new VA Hospital at Emanuel would not be lost to the university as a training ground for students as the VA consultant recognized:

"Everyone interviewed by the consultants agreed that the dependence of the VA and the University on each other for their teaching programs is so strong that it would not be broken if the VA replacement facility were located at a greater distance from the campus".

In short, it appears to me that the "quality of health care" delivered to veterans will not depend upon the location of the VA Hospital near the Medical School. High quality care can be offered as well at the Emanuel site as at the Medical School site.

Respectfully,

ERNEST R. BONNER,
Director.

Mr. WESTLEY. Mr. Chairman, my name is John Westley, I am director of planning for Metropolitan Hospitals, Inc., a system of four community-based hospitals in the Portland area, and I am also former Director of Institutional Planning for the Comprehensive Health Planning Association for the Portland Metropolitan area.

My comments today are out of concern and commitment to the responsible development and placement of hospitals in our community—whether they be Government or non-Government. This must be our mutual concern.

The independent nature of the Veterans' Administration hospital system is a good and healthy thing, but it can be, in my opinion, a better system.

The VA hospital system already works in the public interest in our communities, not just in the veterans' interest. But that role must continue to expand and provide ever greater leadership roles in our communities, particularly in the face of an impending national health policy.

This can best be accomplished by a greater involvement with community resources, while maintaining and strengthening affiliations with medical schools. This does not mean construction of new or replacement facilities in immediate proximity to medical schools—particularly, if those medical schools are currently inaccessible and will become even more inaccessible in the future. I refer there to the absolute commitment of the city of Portland to a mass transportation system in our community. Such is the case in Portland, Ore.

I do not see the VA health care system being swallowed by a national health policy; on the contrary, the VA system could, in fact, provide the much-needed leadership in adapting to a responsible national health policy. But, in order to provide that leadership, innovative, creative, and progressive changes must occur—and occur now.

The VA has such an opportunity in the Portland area, which could result in a long range maintenance of quality care to our veterans; maintenance of an affiliation with a medical school and a relationship with an existing community hospital care system; a community resource that can provide specialized tertiary care services, such as physical medicine rehabilitation, burn center, hospital-based helicopter service, et cetera. I might mention that the burn center I referred to has a patient now from the catastrophe in the Canary Islands last week.

The community-based hospital system I refer to is Metropolitan Hospitals, Inc., of which Emanuel Hospital is a member.

And—all of this at less cost to the American taxpayer.

The location, Mr. Chairman, of the new Veterans' Administration hospital in the Portland, Oreg./Vancouver, Wash., area and the kind of medical service provided under veterans' legislation are highly political matters; they have been for decades and that isn't bad. The present political review by your committee, and ultimately by Congress, is long overdue and should be pursued vigorously. At stake are hundreds of millions of dollars and an opportunity for better long-range care of veterans, better participation of medical educators in community health resources, and a better buy for the taxpayer, both veterans and nonveterans.

Neither the American veteran nor the American taxpayer can afford a mistake by the inappropriate placement of a new VA hospital in our area.

To truly assess and appreciate that potential, you and the Congress must carefully consider all the factors in the Portland project—now and for the future—and perhaps even the experience of other countries and the impacts of a national health policy on the placement of health care resources should be considered as well.

A decision to construct the proposed facility on Marquam Hill simply poses in a posture to commit an error in hospital planning for which many counterpart examples may be found within the National Health Service in England.

Mr. Chairman, I remind you that Portland is a rapidly growing city, and major centers of population are already beginning to move far out into the suburbs. Again, reminding you of the commitment to mass transit in our area.

Similar changes occurred in London during the 19th and 20th centuries, with the result that all the major teaching hospitals in central London now find themselves almost totally devoid of any local resident patient population. It is quite clear to me that the medical school and VA hospital on the present site on Marquam Hill, will suffer the same fate, if indeed this is not already the case.

London teaching hospitals are resolving their dilemma by rebuilding in suburban population centers, and I would suspect that the University of Oregon Health Sciences Center might be forced into a similar move within one or two decades.

Relative inaccessibility of the Marquam Hill site, and its distance from most patients using this center already represent major inconvenience to those patients, many of whom may lack personal transportation.

The disadvantages of the Marquam Hill site, and its inconvenience to patients will be enormously emphasized with the advent of any national health insurance scheme which allows patients to attend, as a right, any hospital, private or otherwise, of their choice.

Given the choice between convenient local hospital facilities and distant inaccessible charity services as represented by the VA system, it is clear which alternative most people would select.

One might well ask the Veterans' Administration just how many ex-servicemen carrying private medical insurance use VA hospital facilities today. The number will be small, and the existing base of patients forced to use VA hospital facilities for lack of an alternative

will evaporate rapidly with the advent of universal health insurance and some freedom of choice.

This pattern of change emerged in the United Kingdom when the national health insurance was established and will be an entirely predictable result of upcoming health legislation in this country.

I would urge strongly that the Veterans' Administration and the Federal Government avoid constructing an expensive "white elephant" on Marquam Hill, remote from the relatively low-income patient it is intended to serve.

It is claimed that a better quality of care is available to the veteran patient if his VA hospital is in close physical proximity to the medical school, and implied, therefore, that the quality of care available to paying patients attending private downtown hospitals is in some way inferior, a contention we strongly disagree with.

In a society dedicated to the marketplace philosophy, freedom of choice, and the principle of purchasing the best available service, such conclusions must be totally negated by the obvious viability of the private hospitals in Portland.

Patients who can choose are not, in fact, clamoring at the gates of the VA and university hospitals. Many of the physicians teaching and attending at the VA and university hospitals do so on a voluntary basis, outside their main practices in downtown hospitals.

Much is made of the proximity factor in attracting academic staff to VA hospitals; however, it has never been claimed that any of the present Portland VA medical staff would resign their appointments were their hospital to be relocated elsewhere in Portland.

I sense here a real danger that the new veterans hospital may be sited with greater thought to minimizing the minor inconveniences to VA and university staff, rather than maximizing ease of access and community service for its patients which should be the primary goal, which would be far better achieved by constructing the hospital in northeast Portland.

In conclusion, opportunity is knocking on our door to responsibly plan our hospital system in Portland for the present and the future—together, let's open that door. In the long range, the veteran, the medical providers, the community, and the American taxpayer will thank us.

We cannot afford to take a band-aid approach to a problem that requires major surgery.

Mr. LARSON. I have submitted written testimony to the staff.

Mr. BOLAND. Your full statement will be included in the record at this point.

[The complete statement follows:]

STATEMENT OF ROGER G. LARSON

Mr. Chairman, my name is Roger G. Larson. I am president of Emanuel Hospital, and president of Metropolitan Hospitals, Inc., a system of four community-based hospitals in the Portland, Oreg., area.

A decision will soon be made regarding the site for a new Veterans' Administration hospital in the Portland, Oreg./Vancouver, Wash. area. The decision will reflect the single largest capital investment in this community for perhaps the next decade. Current estimates run in excess of $150 million.

Our veterans deserve the very highest quality of care available and the very latest in medical technology. It is our intent to assure that the finest in quality of medical care is available to the veteran in Oregon and southwest Washington.

Most importantly, the quality of care provided in a new VA hospital at the Emanuel site would equal the quality of care provided at any other site. The existing affiliation with the University of Oregon Health Sciences Center would continue and could flourish by the addition of a major community resource. Following are three sources to support the above contention:

1. *Veterans' Administration master plan study.*—To develop basis for the hospital siting decision, the VA commissioned an extensive master plan study which was performed by Griffen Balzhiser Affiliates, in conjunction with consultants Lester Gorsline Associates and the Rex Allen Partnership. The study used a complex approach to evaluate 12 potential sites for the new hospital. A panel of expert judges assigned scores to the sites for each of a large number of criteria pertaining to medical programs and relationships, accessibiilty of services, environmental concerns, and physical and functional factors pertaining to the site. These scores were weighted according to perceived relative importance of each criterion and summed to provide a criterion evaluation index for each site.

The Emanuel Hospital site achieved far and away the highest (best) score in this evaluation process. The difference between its score of 73.03 and the score of the second ranking site, the Medical Hill (62.67 points), was as a great as the difference between the second and eighth ranking sites.

Further, the VA consultants study stated:

"Everyone interviewed by the consultants at the VA and the university felt that the relationship between the two institutions should and could continue even if they were located farther apart." (Pp. 21 and 22.)

—"Everyone interviewed agreed that the dependence of the VA and the university on each other for their teaching programs is so strong that it would not be broken if the VA replacement facility were located at a greater distance from the campus." (Page 66.)

—"The VA hospital should occupy a site so located that patients traveling from one hospital or service to another would be no further than 20 minutes portal-to-portal." (Page 173.)

—"Separation of the two institutions by a distance of up to 30 minutes portal-to-portal would not critically interfere with the continuation of the present relationships around these programs." (Teaching and research.) (Page 66.)

—The Emanuel site "is approximately 12 minutes by car from the University Hospital." (Page 220.)

—"Placing the two facilities adjoining or adjacent to each other is unlikely to offer many opportunities for sharing which do not exist even when the two hospitals are located some distance apart." (Page 22.)

By the authors' own direct statements, the study criteria are easily met by the Emanuel site and the benefits of the relationship with the University of Oregon Health Sciences Center would not be diminished.

A paramount example of the existing Emanuel/UOHSC/Portland VA cooperation is found in the department of physical medicine.

The Veterans' Administration has a residency training program in physical medicine. Seven of the eight psychiatrists that teach in the clinical areas are from private hospitals in the community. Four of these seven psychiatrists are from the staff of Emanuel Hospitals.

The only inpatient rehabilitation services in the community are now housed at Emanuel Hospital and Good Samaritan Hospital (Rehabilitation Institute of Oregon). Emanuel has a major physical rehabilitation program with 40 inpatient beds, a pain rehabilitation program, a burn rehabilitation program and a cancer rehabilitation program. We are the only institution in the Portland area, and the entire State of Oregon, conducting a new model for cancer rehabilitation. This is under a contract with the National Institutes of Health.

Other programs are outlined in my written testimony attached hereto, as an amendment.

Additionally, we are committed to identifying and helping develop a frequent surface transportation system between the Emanuel campus and the University of Oregon Health Sciences Center on Marquam Hill.

In summary, the distance separating Emanuel Hospital and the University has not prevented a free interchange of consultative and educational activities in the past and certainly should not do so if the VA hospital is relocated at the Emanuel site.

2. In a letter from David W. Johnson, M.D., Regional Health Director, Region X, Department of Health, Education and Welfare (former Director of the Ore-

gon Regional Medical Program and a graduate of the University of Oregon Medical School) dated January 12, 1977, Dr. Johnson stated, in part:

"They found nothing that would indicate that schools not immediately adjacent to a Veterans' Administration hospital could not enjoy the same affiliation advantages. I would assume that the area around Emanuel Hospital is within reasonable distance for faculty and student travel."

3. In a letter from John D. Chase, M.D., Chief Medical Director, Veterans' Administration, dated February 10, 1977, he states, in part:

"This act, Veterans' Administration Medical School Assistance and Health Manpower Training Act of 1972 (Public Law 92-541), authorizes three types of grants to education institutions to build upon close cooperative arrangements with the VA medical facilities for the education of health professionals, through sharing and coordination of facilities and resources. Two of these programs deal with the establishment or expansion of medical schools, and the third offers aid for the education and training of professional and technical health manpower. *Although no grants have been awarded to any institutions based solely on their geographic proximity to a VA medical facility, an active educational affiliated is an eligibility requirement for grant assistance.*" [Italic by author of testimony.]

Attached to Dr. Chase's letter was a list of approved programs. From those listed, it was obvious that "affiliation" was the primary criteria, rather than "proximity", between VA facilities and medical schools; to wit, but a few:

A. University of Alabama, School of Medicine, Birmingham, in affiliation with the Tuscaloosa VA hospital—50 miles.

B. University of California, School of Medicine, Irvine, in affiliation with the VA hospital, Long Beach—campus to VA—20 miles; campus to UCI hospital—13 miles; UCI hospital to VA—7 to 10 miles.

C. Mt. Sinai School of Medicine of the City University of New York, in affiliation with the Bronx VA hospital—approximately 10 to 15 miles (nonrush hour—30 to 45 minutes travel time).

D. University of Oklahoma Health Sciences Center, College of Medicine, in affiliation with VA Muskogee—65 miles.

E. University of Texas Southwestern Medical School at Dallas, in affiliation with VA hospital in Dallas—10 miles.

F. Eastern Virginia Medical School, Norfolk, in affiliation with Hampton VA Center—45 to 50 miles.

Additionally, we are aware of the excellent quality of VA hospitals and their affiliations with such universities as the University of Washington, University of California at Los Angeles, and the University of Virginia, which are also separated by some distance. In some cases, they are separated by as much as 15 miles.

In conclusion, the Marquam Hill site is generally characterized by very hilly, uneven terrain, which is heavily wooded, quite possibly unstable from the standpoint of landslides, and served presently by streets which are wholly inadequate for the type of facility envisioned. The new facility will have nearly twice as many beds and will serve approximately four times as many outpatients by 1985 as the present VA hospital in Portland. On the other hand, the Emanuel site is essentially flat, already cleared, geologically stable, and currently served by adequate streets and utilities.

A number of less tangible cost factors also favor the Emanuel site. The relative inaccessibility of the Marquam Hill area would lead to increased travel costs for veteran patients and their relatives and, therefore, also to greater energy consumption. Further, to provide equal public access, the city would have to greatly increase public transportation services to the Marquam Hill area.

The long list of other factors which favor the Emanuel site have met with little controversy. The Emanuel site has clear advantages in terms of convenient physical access to the veteran and his family, as well as to hospital employees, favorable linkages with community providers and continued affiliation with the University of Oregon Health Sciences Center.

Thank you for your interest in this project.

SUPPLEMENTAL TESTIMONY OF ROGER G. LARSON, HOUSE APPROPRIATIONS SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES, APRIL 4 AND 5, 1977, WASHINGTON, D.C.

EMANUEL HOSPITAL

Who we are

Emanuel Hospital, as well as Providence Medical Center, St. Vincent Hospital and Medical Center, Good Samaritan Hospital and Medical Center, are major

metropolitan Portland teaching hospitals, providing the same high quality of patient care and life-saving programs as the University of Oregon Health Sciences Center.

Emanuel Hospital, by licensed capacity, is a 554-bed, not-for-profit teaching hospital. Emanuel Hospital is fully accredited by the Joint Commission on Accreditation of Hospitals.

The hospital is one of the largest not-for-profit, voluntary teaching hospitals in the Pacific Northwest. It serves all sections of the city of Portland, the rest of Multnomah County, and those counties immediately adjacent to Multnomah County. Established in 1912, the hospital has attempted to keep pace with the growth in the specialization of medicine and the increased capabilities of the medical staff. It has participated with other health agencies, such as the Comprehensive Health Planning Association, Hospital Planning Council, State Health Commission, Oregon Association of Hospitals, State Health Authority, and Portland Council of Hospitals, in planning to meet the health needs of the metropolitan Portland community.

Emanuel Hospital is located in the near north side of the central area of the city of Portland. The area is an older portion of the city and is zoned partly commercial and partly light industrial, with a predominance of homes and multiple dwellings occupied by various races of the low socio-economic group. The locale in which the hospital is situated is also the Portland Model Cities neighborhood.

Emanuel Hospital is located on a strategic site for good accessibility. It is in a pocket created by ingress and egress routes from the inner city freeway loop, which provides for interconnection with all freeways coming into the city of Portland. The inner loop freeway places Emanuel Hospital within a maximum of 15–20 minutes driving time from every section of the Portland metropolitan area and provides ready accessibility from all sections of the State and southern Washington.

Emanuel has launched into several federally sponsored projects which, in some cases, are one-of-a-kind in the Pacific Northwest. They are as follows:

During the summer of 1972, the Department of Health, Education and Welfare awarded Emanuel a Sickle Cell Anemia contract, to test some 10,000 Negro citizens of the Portland community.

In 1972, Emanuel Hospital received a Federal grant through the Oregon regional medical program to create a highly specialized remote coronary care monitoring service. This special research and demonstration project assists the physician in a distant city to monitor a patient who has suffered a coronary. The physician monitors his patient with appropriate coronary care monitoring equipment directly between the hospital in the distant city and the coronary care unit at Emanuel Hospital, where cardiologists are available and specially trained coronary care nurses are on duty at all times.

In 1972, the hospital received an Oregon Regional Medical Program/American Cancer Society grant to conduct a special research and demonstration project, whereby, on a mass screening basis, low-income women of the Portland community and throughout selected regions of the State receive Pap and minimal tests for breast cancer detection. This service incorporates the use of a mobile clinic which is moved to different areas in the State. It also involves the use of American Cancer Society volunteers, who assist in the project and encourage women to undergo this most vital and important cancer detection examination.

In 1974, Emanuel Hospital received a 3 year HEW grant to support the development of its family practice residency program. Emanuel Hospital is one of the few community hospitals in the country to have an approved independent program in family medicine. The program is designed to produce well trained primary care physicians for rural and urban settings. Along with other Emanuel Hospital programs, it also provides a source of medical care to the Portland model cities area.

In 1975, Emanuel Hospital and Good Samaritan Hospital and Medical Center were jointly awarded a contract by the National Cancer Institute to demonstrate a program of cancer care rehabilitation.

Emanuel Hospital is one of two hospitals in the State to have an American College of Surgeons Category I rating for an institutional cancer program.

In keeping with Emanuel's desire to serve the members of our community, regardless of race, color, creed or ability to pay, the hospital conducts a series of clinics for medical indigent members of the entire community. Referrals to

the clinics are made by members of the medical staff, social and welfare organizations in the community, churches and ministers. The patient is charged whatever can be afforded within a reasonable period. For many, there is no charge. The total of free care now averages $920,000 per year.

Emanuel Hospital provides a family planning program. More than 4 years ago, the American College of Obstetricians and Gynecologists chose Emanuel as 1 of 10 hospitals in the Nation to provide a special family planning program for the citizens of the Portland community. Approximately 8,275 patients have been seen during this time.

METROPOLITAN HOSPITALS, INC.

Metropolitan Hospitals, Inc. is a joint venture of four hospitals in the Portland metropolitan area. Emanuel, Gresham Community, Meridian Park and Physicians and Surgeons Hospitals are operated by Metropolitan Hospitals, Inc.

The objective of Metro is to provide quality hospital and health care services for the citizens of the area. This is done by incorporating joint services and facilities in rendering health care services to the public.

By combining resources, the four hospitals are able to build a pool of management and technical expertise which is far superior to what each hospital could individually afford. Through this organizational structure, the needs of the community and the four individual hospitals are best met.

Through the sharing of services and an interhospital transportation system, physicians in one of the suburban hospitals are able to order specialized tests or studies which can be performed in one of the larger hospitals with minimal inconvenience to the patient.

Although each hospital is operating under the guidelines of Metro, care has been given in the organizational structure to allow each hospital to retain individuality to respond to the needs and problems of their localities.

The future will bring a greater change in the health care industry. Through the organizational structure of Metropolitan Hospitals, Inc., four area hospitals are ready to meet the increasing demands on the health care industry.

Each of the four hospitals has its own medical staff, operating under its own bylaws. At the present time, there is no plan to merge the medical staffs of the four hospitals, but many physicians are members of more than one of the staffs. On an interhospital basis, continuing education is made available to all staff members.

Quality of care

Emanuel Hospital is a teaching institution with university affiliation established or being developed in all departments. Emanuel Hospital received full accreditation from the Joint Commission on Accreditation of Hospitals in 1921, and has maintained that status since.

Cancer therapy at Emanual Hospital.—Emanuel Hospital was the first hospital in Oregon to provide radiation therapy. There is more to caring for the cancer patient than simply radiation.

Oncology is the multidisciplinary medical specialty for research in, and diagnosis and treatment of, patients with malignant (cancer) disease. It incorporates three subspecialties, including medical, surgical, and radiation oncology.

A comprehensive oncology service requires a sophisticated unit in radiatoin therapy to provide functionally unifying and dynamic care for the patient with malignant disease. A radiation therapy service, as part of a comprehensive cancer care program, must have facilities for treatment planning, treatment and oncological evaluation and follow-up care. Such a program necessitates having both megavoltage and orthovoltage equipment for treatment of cancer with irradiation, and treatment simulators, transverse tomographs and computerized physics programs for treatment planning. An array of ancillary diagnostic services are required for diagnosis. An outpatient nursing care program and social service are neded for coordination of appropriate care of the patient with malignant disease and to minimize his hospitalization as an inpatient. All are provided at Emanuel Hospital.

Emanuel Hospital has a totally up-to-date modern radiation therapy service, second to none in the metropolitan Portland area. Emanuel Hospital has two cobalt 60 orthovoltage units and as recently as June 1976, a 4MEV megavoltage isocentric rotational linear accelerator. Most radiation oncologists have come to prefer this new equipment for many reasons related directly to the more accurate, safer and more effective therapy compared to other machines. Only

Emanuel Hospital, Providence Medical Center and St. Vincent Hospital and Medical Center have a linear accelerator in the city of Portland.

Emanuel Hospital will continue to be one element of a conjoint center for multidisciplinary cancer care, to also include a number of other closely interrelated and collaborating institutions and professionals. The cooperative relationship between the radiation oncology services of Emanuel, Providence, St. Vincent, and Good Samaritan Hospitals in Portland, services of the University of Oregon Health Sciences Center, Department of Radiation Therapy, and radiation therapy services of other metropolitan Portland and State of Oregon hospitals, form the nucleus of this conjoint center concept. It is expected that an integrated, comprehensive cancer care program will help to achieve increased communication between all specialists interested in malignant disease and will result in an improved cancer care delivery program in the Portland metropolitan area and the State.

In view of its most modern radiation therapy service, and in conjunction with all other specialties, ancillary diagnostic services and coordinative support services, a modern up-to-date comprehensive cancer care program is available at Emanuel Hospital.

Department of Physical Medicine at Emanuel Hospital.—A paramount example of the existing Emanuel/UOHSC/Portland VA cooperation is found in the department of physical medicine.

The Veterans' Administration has a residency training program in physical medicine. Seven of the eight physiatrists that teach in the clinical areas are from private hospitals in the community. Four of these seven physiatrists are from the staff of Emanuel Hospital.

The only inpatient rehabilitation services in the community are now housed at Emanuel Hospital and Good Samaritan Hospital (Rehabilitation Institute of Oregon). Emanuel has a major physical rehabilitation program with 40 inpatient beds, a pain rehabilitation program, a burn rehabilitation program and a cancer rehabilitation program. We are the only institution in the Portland area, and the entire State of Oregon, conducting a new model for cancer rehabilitation. This is under a contract with the National Institutes of Health.

Internal medicine at Emanuel Hospital.—Internal medicine has the largest training program outside the medical school with an average of 23 residents and interns in service at any one time during 1976–77. Medical students will rotate here from the University of Oregon Health Sciences Center, in addition to the several extern students from other schools in the United States. The chief of service is an associate professor of medicine and a member of the department of medicine at UOHSC. Some 45 physicians on the staff of Emanuel have active clinical teaching appointments at the medical school. In addition, faculty members in all medical sub-specialties are readily available for consultation and teaching at Emanuel and during the past year have played an increasingly active part in our resident and ongoing education program.

Surgery at Emanuel Hospital.—

Department of Surgery

There is already in existence a close relationship between the departments of surgery at Emanuel Hospital and the University of Oregon Health Sciences Center. Emanuel serves as the specialty center in specific areas, such as the Oregon Burn Center.

The new full-time chief of surgery holds a teaching appointment at the University of Oregon Health Sciences Center.

Department of Orthopedics

The department of orthopedics is probably the best in Portland and has for many years been closely affiliated with the medical school, which provides all the orthopedic residents at Emanuel.

General comments

Of the hospital surgical staff, some 30 general surgeons, 15 urologists, 15 plastic surgeons, and 30 orthopedic surgeons have clinical teaching appointments at the medical school.

The attending staff in the Department of Surgery has been more than active in peer review of their own self-improvement, and the Department of Surgery of Emanuel need not take a back seat to any department in the city. The same quality of surgical practice can be found in other teaching hospitals in the area.

With the exception of renal (kidney) transplant, all other phases of surgery are performed at Emanuel Hospital, including open heart, neurosurgery, orthopedic, eye, ear, nose, and so forth.

It is paramount to understand that there is a considerable amount of physician crossappointments among all the area's teaching hospitals—thus, providing equal quality care in all the teaching facilities.

Pediatrics at Emanuel Hospital.—Pediatrics has been closely affiliated with the medical school department for many years. The chief of service is a member of the school faculty and some 25 staff pediatricians at Emanuel have clinical teaching appointments at the medical school.

Obstetrics and gynecology at Emanuel Hospital.—Obstetrics and gynecology is affiliated with the department at the medical school and the coordinator of gynecology services and training program is a member of the medical school faculty. Fifteen of the staff at Emanuel have clinical teaching responsibilities at the medical school.

The pediatric and obstetrical programs are the oldest in the city and perhaps the most familiar to area residents.

Laboratory, nuclear medicine and pathology at Emanuel Hospital.—Emanuel Hospital has eight pathologists. These are all board certified and two have their boards in nuclear medicine.

Emanuel Hospital has always been a pioneer in setting up new procedures, especially radioimmunoassays and we are now doing 23 different procedures along some these lines. These are being done not only for our own staff, but for other hospitals in the city, including some from the medical school. To do this type of work requires expensive counters and we have two sophisticated beta and gamma automatic counters; one is several years old, but the other one was new in 1975 and necessary for performing this type of operation.

Emanuel Hospital also has a complete nuclear medicine department. We have a total body scanner with minification for doing bone scans and other studies. We also have a scintillation camera with dynamic flow study capabilities and also with an attached tape system. The other equipment, such as counters and probes, plus a blood volume analyzer are also available, making the nuclear medicine department very complete and up-to-date.

Emanuel Hospital also has a complete ultrasound department attached to the laboratory.

The clinical laboratory, itself, is almost completely automated. The equipment has the capability of doing more work than it is presently doing. Emanual Hospital is doing the more sophisticated testing, and also screening for Meridan Park, Gresham and Physicians and Surgeons Hospital, which are members of the Metropolitan Hospitals, Inc. group. The clinical laboratory is fully staffed with very capable, energetic personnel and fully accredited with the college of pathology.

Emanuel Hospital has all the capabilities regarding anatomical pathology, clinical pathology and nuclear medicine that would be available at the medical school as far as patient care is concerned.

Unique and special programs at Emanuel Hospital.—Emanuel has many facilities which are unique, or at least equal to other services in Portland:

—Portland Pain Center.

—Extended Care Facility (one of three in the city).

—Oregon Burn Center (largest in the State).

The tumor board provides an integrated surgical, radiotherapeutic, pathological and chemotherapeutic team approach to the treatment of neoplastic disease, and constant review of standards and techniques.

The department of radiology has a certificate of need approved for equipment to provide computerized transaxial tomography/whole body scanning service.

A new medical/surgical intensive care unit will be operational by August 1976. The department of medicine offers a sophisticated coronary care unit and post-coronary care unit, hemodialysis facilities, a very modern respiratory diagnostic laboratory, and extensive endoscopy services. The clinical laboratories offer an extremely efficient 24-hour service. The efficiency of health care delivery at Emanuel is further enhanced by a comprehensive IV service, which ensures uniformly high standards of management.

Staff relations at Emanuel Hospital.—The many staff members in other subspecialties, anesthesiology, psychiatry, family practice, EENT, are also affiliated with the medical school. In all, some 150 staff members in all branches

of medicine and surgery play an active part in teaching at the medical school, and 50 of the Emanuel Hospital staff already round and consult at the VA Hospital.

The fact that the medical staff, residents and students at Emanuel have already many ties with the medical school, and VA hospitals, demonstrates that cooperation between academic staff and physicians in private practice is easily established across Portland, and that geographical proximity of the VA Hospital to the medical school is not a prerequisite for continuing joint clinical and educational efforts. This factor was reaffirmed and stressed in the recently completed consultants study prepared for the Veterans' Administration.

The real future

The veteran patient on Marquam Hill in no way receives medical care superior to that provided by the other major teaching hospitals in Portland. The quality of medical care at the University of Oregon Health Sciences Center is excellent; but, not superior to the quality of care at Emanuel, Providence, Good Samaritan and St. Vincent Hospitals. The quality of care is equally excellent at all five teaching hospitals.

During the past 30 years in Great Britain, the development of a national health service hospital network has repeatedly demonstrated that when financial barriers to inpatient and outpatient hospital medicine are removed, the population simply refuses to use facilities sited inconveniently in the community. Accessibility, public transport facilities, and the ease with which outpatients and visitors can reach the hospital are found to be overridingly important factors determining the location of new hospital facilities. Similar changes in health care delivery will inevitably take place in America in the next decade and there is no way in which a large "indigent or semiindigent" section of the population will trek to Marquam Hill for medical care, when their "indigency" and dependence on the Veterans' and County Hospitals is removed at a stroke with the introduction of any kind of national health insurance system. By and large, veterans with private insurance use the private sector.

Nothing is sacrosanct, least of all a teaching hospital sited inconveniently for the majority of its patients. One example is a major teaching hospital in London, St. Bartholomew's Hospital (founded 853 years ago), which is facing closure because it is situated in the middle of a major business area with no significant local population or convenient access.

Mr. LARSON. I would like to amplify what Mr. Duncan stated earlier, that the Veterans' Administration did do a study and, in the study, took into account the separation of the two facilities. And the authors' own study states that: "the . . . criteria are easily met by the Emanuel site and the benefits of the relationship with the University of Oregon Health Sciences Center would not be diminished."

Thank you.

Mr. BOLAND. Mr. Coughlin?

Mr. COUGHLIN. Emanuel is a teaching facility?

Mr. LARSON. Yes. We have several programs—in obstetrics, pediatrics, urology, orthopedics; in these fields and others. I think there are nine affiliations in total.

Students from the University of Oregon Health Science Center receive part of their clinical experience at Emanuel. The surgery residents get their burn treatment experience at the university hospital.

Mr. COUGHLIN. Thank you.

Mr. BOLAND. Thank you very much. We were pleased to have you. The statements you present to the committee will be placed in the record. Thank you very much.

EPA-Manpower Training Programs

WITNESSES

HON. MATTHEW F. McHUGH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

PROF. RICHARD B. GLAZER, DIRECTOR, WATER MONITORING PROGRAM, ULSTER COMMUNITY COLLEGE, STONE RIDGE, N.Y.

Mr. Baucus. The committee will come to order. I am very pleased at this point to welcome Congressman McHugh, who will introduce Mr. Glazer. Matt, why don't you proceed?

Mr. McHugh. Thank you very much.

It is a pleasure to be here to introduce Professor Glazer. I have discussed with him the problem which he will analyse at greater length, but I want the Subcommittee to know that I share with him fully the concern he has. While we have committed ourselves significantly to clean air and water, and have spent billions of dollars on that commitment, a commitment which has been matched by many of our local communities across the country, there is no funding called for in the 1978 fiscal year budget for manpower training.

We certainly need people trained to monitor the water, and to monitor the treatment function, if we are going to keep that commitment in the proper fashion.

In introducing Professor Glazer, I would like to lend my own personal support to what he will be saying. He is not only a good friend of mine, but is a person who has been involved in local government, as a county supervisor in the County of Ulster, and, more significantly, is a professor of biology at the State University of New York and the director of the water quality program at that institution.

So it is my pleasure to present Mr. Glazer to you, Mr. Chairman.

Professor Glazer. Thank you. It is a pleasure to be here today and I would like to thank the members of the committee for the opportunity to address them. The purpose of my testimony is twofold. One is to make Congress aware of the dangers inherent in the present Office of Management and Budget and the U.S. Environmental Protection Agency policy of allocating zero moneys for fiscal year 1978 for manpower training for air pollution control, water pollution control, and safe drinking water, thereby effectively eliminating these programs and their staff from the Environmental Protection Agency.

The second is to make positive recommendations with respect to congressional support of these manpower training programs by developing a comprehensixe budget for manpower training which provides the minimum Federal funding necessary in fiscal year 1978 to support the Environmental Protection Agency's academic manpower training program and thereby assure the continuation of this essential activity.

Our Nation, through Congress, has expressed its desire to provide a clean and safe environment and assure the availability of pure drinking water to every American across the Nation. Public Laws 92–500, 93–523 and others are comprehensive legislation passed by Congress because of their concern for the quality of our air and waterways and the need for continually available supplies of drinking water.

The construction of wastewater and drinking water facilities is only a part of this program. The heart of these programs, that which will enable them to function, is the availability of trained personnel who can efficiently and effectively operate our treatment facilities, monitor our waterways, point out sources of pollution of drinking water, and do the long range planning necessary to coordinate all of these functions.

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, 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 2-year college biologists, 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 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 the needs for a positive pollution program and the economic impact that such a program would have in bettering the quality of life of the people I represent.

Further, the jobs provided by pollution programs and the enforcement of these programs would be a welcome relief to an area that has experienced an unemployment rate of over 12 percent. I am sure Congress recognizes that the supervisors and mayors of the thousands of municipalities across the country are being ordered by the Federal Government to comply to a host of environmental standards. To accomplish this, Congress has spent billions of dollars and local governments have indebted themselves for many millions of dollars in bond issues and bond anticipation notes so that they could construct wastewater and drinking water facilities and the water transmission lines, collection systems, interceptor sewers, pump stations and related force mains that are all part of these projects.

By eliminating funding for manpower training, the Federal Government would be informing the municipalities that they are not and have not been truly serious in their demands for compliance to the environmental programs of Congress and do not intend to support our endeavors and fiscal expenditures by supplying the municipali-

ties and the private sector with the manpower necessary to make these programs work.

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 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 was allocated to section 109A (undergraduate training grants). This $331,000 has remained constant for 1974, 1975, 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 moneys be allocated for these categories in fiscal year 1977 and 1978. Table 1 included in the testimony clearly illustrates this problem.

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 moneys expended. The moneys 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: 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?

Two, what will be the results of a zero budget in manpower training on the success of our pollution control programs?

Three, 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?

It is clear that if Congress does not refund the manpower training programs it will have spent many billions of dollars on treatment plants, regulatory systems and major national programs while denying them the trained manpower that is necessary for these plants and programs to function and be operational. It seems a shame 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 minimal 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.

Thank you very much.

Mr. BAUCUS. Thank you very much, Mr. Glazer. I assume you would like to have your other testimony submitted for the record. Is that correct?

Professor GLAZER. Yes.

Mr. BAUCUS. We will do that at this point.

[The statement follows:]

STATEMENT OF RICHARD B. GLAZER

A statement in support of the U.S. Environmental Protection Agency's manpower training programs for Air Pollution Control, Water Pollution Control, and the Safe Drinking Water Act.

This statement is presented to the Subcommittee for HUD and Independent Agencies of the Committee on Appropriations of the House, April 5, 1977.

INTRODUCTION

The purpose of this testimony is twofold—one is to make Congress aware of the dangers inherent in the present Office of Management and Budget and U.S. Environmental Protection Agency policy of allocating zero moneys for fiscal year 1978 for manpower training for air pollution control, water pollution control, and safe drinking water, thereby effectively eliminating these programs and their staff from the Environmental Protection Agency. The second is to make positive recommendations with respect to congressional support of these manpower training programs by developing a comprehensive budget for manpower training which provides the minimum Federal funding necessary in fiscal year 1978 to support the Environmental Protection Agency's academic manpower training program and thereby assure the continuation of this essential activity. Our Nation, through Congress, has expressed its desire to provide a clean and safe environment and assure the availability of pure drinking water to every American across the Nation.

Public Laws 92–500, 93–523 and others are comprehensive legislation passed by Congress because of their concern for the quality of our air and waterways and the need for continually available supplies of drinking water. The construction of wastewater and drinking water facilities is only a part of this program. The heart of these programs, that which will enable them to function is the availability of trained personnel who can efficiently and effectively operate our treatment facilities, monitor our waterways, point sources of pollution, drinking water, and do the long range planning necessary to coordinate all of these functions.

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, 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 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 the needs for a positive pollution program and the economic impact that such a program would have in bettering the quality of life of the people I represent. Further, the jobs provided by pollution programs and the enforcement of these programs would be a welcome relief to an area that has experienced an unemployment rate of over 12 percent. I am sure Congress recognizes that the supervisors and mayors of the thousands of municipalities across the country are being ordered by the Federal Government to comply to a host of environmental standards. To accomplish this, Congress has spent billions of dollars and local governments

have indebted themselves for many millions of dollars in bond issues and bond anticipation notes so that they could construct wastewater and drinking water facilities and the water transmission lines, collection systems, interceptor sewers, pump stations and related force mains that are all part of these projects. By eliminating funding for manpower training the Federal Government would be informing the municipalities that they are not and have not been truly serious in their demands for compliance to the environmental programs of Congress and do not intend to support our endeavors and fiscal expenditures by supplying the municipalities and the private sector with the manpower necessary to make these programs work.

Proposed comprehensive budget EPA manpower training, fiscal year 1978

Public Law 91–604, Air Pollution Control

Section and 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
Subtotal	5,125,000

Public Law 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
Subtotal	3,000,000

Public Law 92–500, Water Pollution Control

104(g)(3)(A)—Professional (graduate) training	2,500,000
104(g)(3)(B)—Research fellowship	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
Subtotal	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 moneys be allocated for these categories in fiscal year 1977 and 1978. See table I.

PUBLIC LAW 92–500, WATER POLLUTION CONTROL

Public Law 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 (BACT) economically achievable 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 year—				
	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	[2] 1,704,000	[3] 370,000
State agency fellowships	0	230,000	338,000	[4] 394,000	[3] 210,000
Academic demonstration grants	0	409,090	286,000	[5] 265,000	[3] 70,000
Undergraduate training, 109A	331,000	331,000	331,000	[6] 416,000	[3] 50,000
Undergraduate scholarships, 111	0	0	0	0	0

[1] Yearly increases due to in-house support.
[2] Includes $65,000 congressional add-on.
[3] Total funds due to 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) and (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 trainees supported throughout the history of the training grant program.

TABLE II

	Appropriation amount	Awards	Trainees supported
Fiscal year:			
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	[1] 1,243
1973	[1] 2,800,000	87	1,296
1974	2,700,000	73	845
1975	[2] 2,105,000	52	616
1976	[3] 3,200,000	33	4,420
1977	None	None	None

[1] Plus $1,800,000.
[2] $1,800,000 of 1972 fiscal year funds supplied in early fiscal year 1973; $1,800,000.
[3] 29 fellowship awards funded from total training appropriation.
[4] $2,000,000 added to EPA fiscal year 1976 budget by Congress.
[5] 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 1 year fellowship which will include the employees salary, educational cost, and relocation expenses.

Section 109–112: Undergraduate Training

Under Public Law 92–500, compliance monitoring, surveillance sampling, NPDES reports and recording will require an increased and improved level of laboratory testing of wastewaters. It is intended that these funds in part will be used to develop a library of current training manuals and audiovisual 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 troubleshooting.

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 wastewater treatment plants that are now and will be constructed in the future with the funds provided by Public Law 92–500. 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.

PUBLIC LAW 93–523, SAFE DRINKING WATER ACT

Section 1442(9)(b)(3)(A): Professional (Graduate) Training, Operator and Instructor Training

The pertinent section of Public Law 93–523 with respect to training is section 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 involving 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 State 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 Public Law 93–523, 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 moneys expended. The moneys 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. What will be the results of a zero budget in manpower training on the success of our pollution control programs?

3. 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 semiprofessional and professional workers?

It is clear that if Congress does not refund the manpower training programs it will have spent many billions of dollars on treatment plants, regulatory systems and major national programs while denying them the trained manpower that is necessary for these plants and programs to function and be operational. It seems a shame 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.

(*Exhibits 1 through 6:* Various resolutions in support of environmental manpower training.)

NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION,
Boston, Mass., March 25, 1977.

DR. BRUCE HANES,
Chairman, Department of Civil Engineering,
Tufts University, Medford, Mass.

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 for 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.

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, 104u(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 203 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 percent and 75 percent 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 percent for initiation of the plan and 75 percent carrying out, updating and maintaining the plan.

NEW ENGLAND STAFF—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,
RICHARD A. VALENTINETTI, *Chairman*.

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 Public Law 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.*

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 members of the House and Senate Appropriations Committee.

Adopted at Hanover, N.H., October 3, 1975, by vote of: Affirmative, 14; opposed, 0; absenteeisms, 4.

[Exhibits 7 and 8:]

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, U.S. 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, N.Y., Septembetr 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.

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

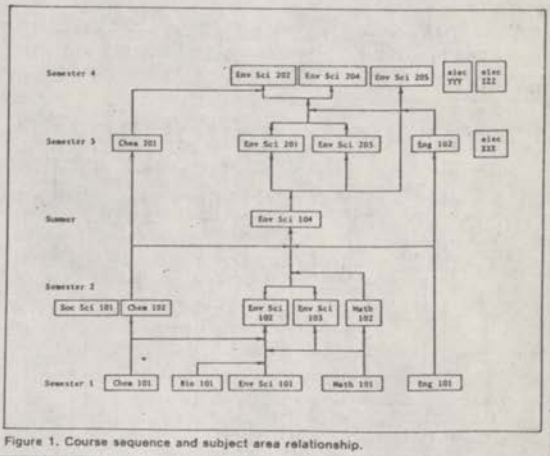

Figure 1. Course sequence and subject area relationship.

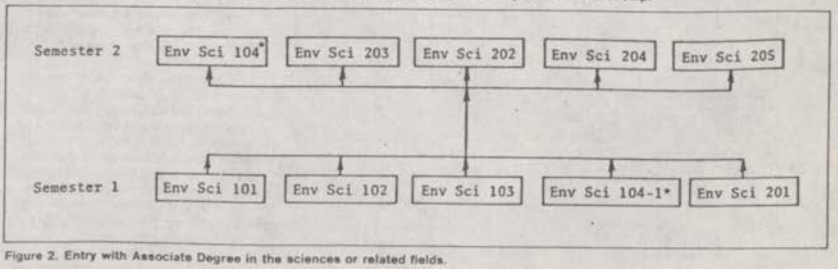

Figure 2. Entry with Associate Degree in the sciences or related fields.

*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.

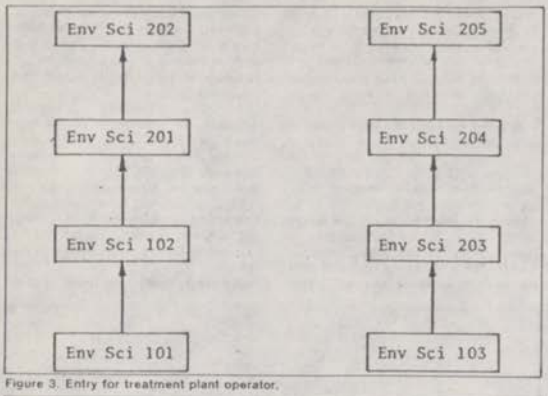

Figure 3. Entry for treatment plant operator.

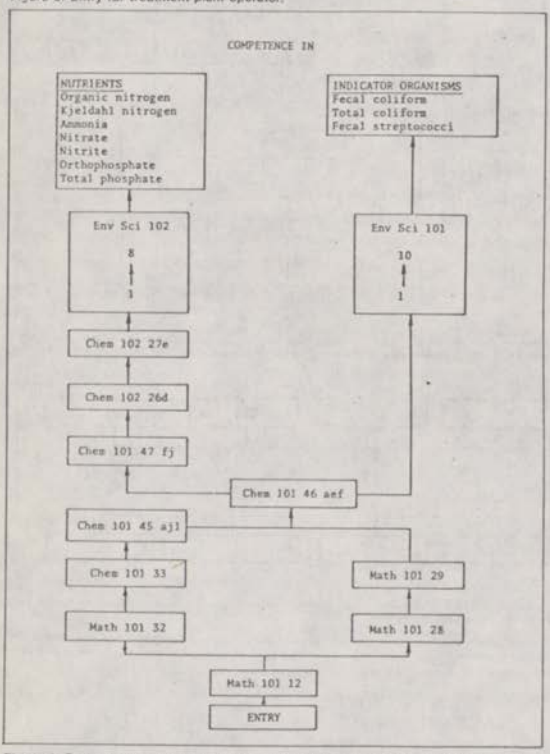

Figure 4. Suggested sequence of specific objectives to prepare technician for analyses of nutrients and indicator organisms.

operator the opportunity to develop his knowledge and skills in the laboratory control area without having to complete the entire degree sequence. Figure 3 suggests a sequence for obtaining these skills.

The material in Environmental Science 104 could be mastered in the trainee's lab at any time during the training program. The trainee can proceed through both stems simultaneously. Due to prior experience, many operators may be able to omit Environmental Science 103.

Since it stands as an independent unit, each objective can be isolated and sequenced to provide a variety of instructional (critical) pathways for training technicians to do specific tasks. For instance, two of the major areas required in the NPDES monitoring program are the determination of indicator organisms (namely fecal and total coliforms and fecal streptococci) and nutrient analyses of organic and Kjeldahl nitrogen, ammonia, nitrate, nitrite, orthophosphate, and total phosphorous. If it becomes necessary to train a technician to do these basic tests, or conversely if a technician on his own desires to learn how to do these tasks, he can be prepared or can prepare himself by selecting those objectives which pertain to mastering the techniques as noted in Figure 4. ("Math 101 12" indicates objective 12 of the course Mathematics 101; "Chem. 101 45 ajl" indicates objective 45, parts a, j, and L, of the course Chemistry 101.)

By proper selection and sequencing, the trainee can master these analyses in an extremely short time compared with the normal two-year requirement to complete the entire curriculum. Additionally, if appropriate instructional materials are available for each objective, then the pathways can become a self-learning program requiring minimal participation by the instructional or supervising staff.

In September, 1975, Ulster enrolled the first group of 20 students for the two-year degree curriculum. Once accepted, the students have their tuition, books and fees paid in full through a government grant. The students bear the cost of room and board. Additional financial aid for educational expenses by the students in this program is available from various programs. A student may apply directly for the Federal Basic Educational Opportunity Grant and for the State Tuition Assistance Program. Other aid in the form of grants, loans and employment is available through the Financial Aid Office at the college.

Present plans call for the selection of twenty students per year. Of these, approximately five will come from Ulster County, five more from New York State, but outside the county, and ten from states adjoining New York. ■

Mr. BAUCUS. Can you tell me the amount you are suggesting be appropriated?

Professor GLAZER. We have in the testimony approximately $15 million for all of the programs, water, air, and pure drinking water.

Mr. BAUCUS. As I am sure you have noticed in the news, President Carter talks a lot these days about zero-based budgets and you may know the OMB is asking the agencies to draw up guidelines for that. I am certain the President is serious in his effort. For that reason we in the Congress are going to be much more in tune with the process. The question I have in the same vein, assuming the Congress were to appropriate $15 million for manpower training in the true ZBB period, if you can make some suggestions where we should cut $15 million, that is, what are the programs you regard as less important? Do you have any off-the-cuff reactions?

Professor GLAZER. Do you mean overall programs?

Mr. BAUCUS. Yes, any place in the EPA budget.

Professor GLAZER. It would really be rather difficult to say because I don't have a complete overview of the Federal budget or EPA programs.

Mr. BAUCUS. This is one of the problems we always face.

Professor GLAZER. I recognize that. I wish I could give you an immediate answer, but without taking a major overlook of what is happening, I can't. I would say this, in construction funds, if you had to take certain moneys out of construction fund and put them into operator training and into manpower training, I think you would get a great deal of return for the moneys spent simply because as we build plants, as we build facilities, if we do not have the people to operate them, they are simply not going to operate efficiently. We already do know that.

Plants around the country have had malfunctions. Many of them have not worked up to the capacity or have not worked up to the way they were planned and intended to work for purification of water, simply because the people working there do not have the proper background to be able to work the plants, do the monitoring, do the analyses and sampling.

I think if it really came down to where do you cut, I don't know if this is possible; it might be very wise to take a few dollars from the construction funds.

Mr. BAUCUS. Any particular construction funds?

Professor GLAZER. I would think waste water treatment plants, drinking water facilities and various aspects.

Mr. BAUCUS. You don't think those communities would complain?

Professor GLAZER. They may complain but they complain even more after they are put in bonded indebtedness. I know of a town right now going for a major bond for a sewage plant and they complain even more when their taxes go up to run these plants because they are not running as efficiently as they could. They complain more when they find their streams are being polluted.

Mr. BAUCUS. Why, in your opinion, did OMB phase out a lot of these funds?

Professor GLAZER. Frankly manpower training was not looked at very favorably by the past administration. This would be both the Nixon and Ford administrations. They did not feel that manpower

training was essential, that it could be eliminated. In some States they thought possibly the private sector might pick it up, which of course it has not.

In the other cases, one comment was that, some of the funding agencies in education would pick it up but this does not happen. The reason for that is, EPA can focus on what their needs are. The National Science Foundation, the Office of Education, really doesn't have that in mind. They are looking for creative programs, new ideas, but not necessarily focusing on a national need.

One which might be as limited in a sense as manpower training, to run waste treatment plants, to monitor State SPES for the new Safe Drinking Water Act, and so on. This is not really major education concerns, to get funds to support these groups.

EPA can focus on it, they know where the resources are, they know the schools that have the training potential, where the needs are, and they can change this focus as the needs change.

Mr. BAUCUS. What about the argument, once EPA sets up its own manpower program, it is hard to change direction or scale back. Is that a problem?

Professor GLAZER. I think this is probably true with any program. I have found in my own experience with EPA that it is not difficult to change direction. The thing that really is, EPA's manpower program is and would remain when you look at all the categories still small enough to be able to change direction and meet the needs. It is not an overwhelming bureaucracy. It consists of a few people within EPA plus a number of people scattered across the country.

It is interesting to note, too, and I might say this, because I have been in education for a long time, it is the first time I have worked with a group of individuals who actually can put out grants across the country for graduate education, undergraduate education and technical education and pull it all together.

Mr. BAUCUS. Your priority would be to fund the research facility at Triangle Park or would it be better spent in graduate training?

Professor GLAZER. My judgment, since I represent it, undergraduate training.

Mrs. BOGGS. When we had testimony from EPA itself, we were asked to fund 600 new jobs, 130 of which had been recommended last year. What you are telling us is that they have effectively eliminated the programs and their staff from EPA. I don't see why we would have to cut out construction if we simply made certain that some of those 600 new jobs were in the staffing for the program that you represent. I think that we should ask them for the justification of these new jobs if indeed they are cutting out the staffing in this regard.

Another thing is, Public Law S. 93–523 and 92–500 both insisted upon the urgency in regard to training people and of constructing and of monitoring and so on.

Professor GLAZER. Absolutely.

Mrs. BOGGS. Particularly in the safe drinking water sections, there were incentives for those areas that could produce programs within 6-month period, so it is difficult to cut out some of the construction which did enter into the millions of dollars of bond issues and bond anticipatory notes, as well as expecting the persons there to be able to handle the jobs that the construction flow would demand.

Professor GLAZER. The reason for the answer was, he asked if they had to take money from somewhere, where could we possibly take it from. I do not know the rest of the federal budget, but knowing what the construction funds are and how they are being earmarked, if we had to have a balance to make sure what we build works, possibly we might take some of these moneys from that construction fund, I am not against the construction fund. I think it is extremely important.

Mrs. BOGGS. I have always felt this program and others such as this followed the spirit as well as the letter of the law because what we are saying is, we have to train people for jobs that are available in the economy and here are two government programs, one creating jobs in the economy and the other one training people in order to take those jobs.

I thank you for your testimony.

Mr. BAUCUS. Thank you very much, Mr. Glazer, and thank you, Mr. McHugh. The Committee appreciates your enlightened and gracious testimony, Thank you.

EPA—OFFICE OF RESEARCHH AND DEVELOPMENT

HON. GEORGE E. BROWN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. TRAXLER. I am pleased to welcome our distinguished colleague, Mr. George Brown from the State of California.

WITNESS

Mr. BROWN. Thank you.

Mr. TRAXLER. Mr. Brown is the chairman of the Science and Technology Subcommittee.

I understand the authorizing legislation has been reported from your subcommittee.

Mr. BROWN. Yes; and it was granted the rule by the Rules Committee this morning.

Mr. TRAXLER. Your statement will be made part of the record at this point. Please feel free to comment.

[The complete statement follows:]

STATEMENT OF CONGRESSMAN GEORGE E. BROWN, JR. OF CALIFORNIA

Mr. Chairman, I would like to take this opportunity to present the views of the Subcommittee on the Environment and the Atmosphere of the Committee on Science and Technology on the appropriations request before you for the Office of Research and Development within the Environmental Protection Agency. The Subcommittee on the Environment and the Atmosphere has legislative and general oversight responsibility for the Office of Research and Development. Last week, the Committee on Science and Technology marked up and reported the 1978 authorization bill for EPA's research activities. This legislation, H.R. 5101, was the subject of considerable scrutiny by both the subcommittee and the full committee concerning the authorization levels for the coming fiscal year. I would like to share with you today the views of our members concerning the critical requirements, for maintaining an adequate and effective research, development, and demonstration program within EPA.

As I know most of you are keenly aware, in the past the EPA research program has lacked the administration's enthusiastic support and thus has not had

the resources necessary to accommodate the needs of both the regulatory programs and administrative decisionmaking. Due in part to this, the EPA research program has come under criticism from various organizations, including the General Accounting Office, the Office of Technology Assessment and the National Academy of Sciences with respect to the quality of research and the information generated from this program. The committee, too, has been concerned with the findings and recommendations of these reports and therefore believes that it is imperative that sufficient resources be available to the Agency to address these criticisms and to implement the recommendations which have been set forth.

It is important to note the recent historical funding levels for the research program within EPA. Over the past 3 years the budget authority for EPA research has steadily declined in spite of the rapid inflation which we have experienced during this same period.

For fiscal year 1978, the administration has requested $261,287,000, an almost insignificant increase over what this committe appropriated for 1977—nearly $260 million. Considering the major new responsibilities given EPA under the Toxic Substances Control Act and the Resource Conservation and Recovery Act of last year, the administration's request for funding for fiscal year 1978 is difficult to justify. The Agency itself had requested approximately $275 million from the Office of Management and Budget for this same period.

The subcommittee held 5 days of hearings on the EPA research program, and received testimony from both government agency representatives and from public witnesses. Our public witnesses included researchers and local pollution control officials. These officials are the ones on the firing line. They have to translate research information and policy guidance into specific abatement actions. Thus, they were able to comment most cogently on the efficacy of EPA's research activities. Their testimony was directed to many of the problems which we are attempting to address in part.

During subcommitte deliberation, each program activity was reviewed and discussed in order to recommend appropriate action. Accordingly, increases were provided in some categories, but not all. The table attached to my testimony delineates our action in detail along with the committee report. In sum, the committee voted to increase the authorization level by approximately $26 million over the President's request.

This modest increase of roughly 10 percent over the President's request, or less than 1 percent over the authorization levels for fiscal year 1975 and 1976, is to be used for improving the quality and management of EPA's research programs. I should mention that special attention was given to work in two areas. First, the health and ecological effects program concerning air quality, water quality, toxic substances, and interdisciplinary activities. This program focuses on the research concerning the effects of exposure to pollutants on human health and the impact of pollutants on our ecosystem. A major portion of this increase is also to begin rapid implementation of the Toxic Substances Control Act.

Second, the monitoring and technical support program. This is the area in which EPA's technology transfer activities, monitoring activities, and quality assurance activities are funded. These activities are responsible for getting EPA research results out to users and for assuring that EPA's monitoring programs produce high quality data.

You will also note by the report that accompanies the bill, that EPA's research program is carried out under the mandates of several federal statutes. However, the committee felt that in order to better assess the progress of EPA's research efforts that the authorization amounts should be specified in accordance with their research programs dealing with the several media of concern. These correspond directly with the appropriation categories as set forth in the EPA budget book.

Mr. Chairman, we believe the authorization provided by this bill is fully justified. It has the unanimous support of our entire committee. I'll be happy to respond to any questions you may have.

TABLE I.—EPA FISCAL YEAR 1978 BUDGET FIGURES BY PROGRAM AND MEDIUM (AGREE WITH BILL)

[Increases shown in parentheses]

Program and medium	Air	Water quality	Water supply	Pesticides	Toxic substances	Radiations	Solid waste	Interdisciplinary	Program totals
Health and ecology	$30,848	$25,200	0	$10,756	$4,088	$830	0	$9,230	$80,952
	(4,200)	(3,000)			(2,700)			(4,000)	(13,900)
Industrial	6,350	9,300	0	0	0	0	0	6,066	21,716
	(1,350)	(1,900)						(500)	(3,750)
Public sector	0	12,800	$15,727	0	0	0	$9,818	1,599	39,944
		(2,000)	(527)				(2,100)		(4,627)
Monitoring and technical support	9,756	6,069	0	0	0	0	0	14,378	30,203
	(1,800)	(1,700)						(1,000)	(4,500)
Energy/environment	0	0	0	0	0	0	0	0	96,427
									(0)
Program management and support	0	0	0	0	0	0	0	0	18,822
									(0)
Media totals	46,954	53,369	15,727	10,756	4,088	830	9,818	31,273	288,064
	(7,350)	(8,600)	(527)	(0)	(2,700)	(0)	(1,000)	(5,500)	(26,777)

Mr. BROWN. I will abridge it substantially, Mr. Chairman.

I would first just like to clarify that I am discussing the Office of Research and Development of the Environmental Protection Agency. I am concerned about the remainder of the activities of the Agency and listened with great interest to the testimony of the previous witnesses. But the bill, which has been reported by my committee, deals only with the research and development portions of the budget.

We are talking about a figure, which for fiscal year 1977, was $260 million. The budget request for fiscal year 1978 was less than 1 percent higher than this, approximately $261 million. It was the view of the subcommittee that this was completely inadequate to actually maintain or improve the quality of the existing research and development program, to say nothing of the additional programs mandated by the Toxic Substance and Resource Recovery Act. For this reason, the subcommittee is considering approximately 10 percent more than the request of the administration.

I might say, this is an effort to reverse a downward trend in this budget which has been taking place for the last several years. The figure which we are recommending, about $288 million, is very close to the level authorized in 1975 and 1976.

So we are not proposing any major increases, but we are trying to avoid a downtrend. Our reasons for this are reflected in the committee report. I will refer to it without elaborating on it.

We have examined each of the programs for the Office of Research and Development in some detail. We have added figures for specific programs where we thought the need was the greatest; not all programs.

I call attention to the table on the last page of my testimony, which shows the additions to the budget request. You will note, for example, in the largest program, energy and the environment, $96 million, is about 40 percent of the total. We are suggesting no increases at all to the administration budget, basically, because we feel that any deficiencies in the environmental research of EPA in this area will—and should be—made up by ERDA, which has also an environmental research program dealing with energy matters.

We are particularly concerned about the proposals to cut the figures in the health and ecology R. & D., for example, and in the monitoring and technical support R. & D., where new information about how you detect and measure pollutants is communicated to the local agencies and other institutions that need this information. So we proposed some modest additions in these programs, and it was the unanimous view of the committee that these were justified.

The bill was reported out, by a 34 to 0 vote, after thorough discussion. So I understand the pressures that there will be on the Appropriations Committee; and looking at all of these matters and any request for what appears to be an increase, if it goes beyond the administration's request, it will be scrutinized very carefully.

I wanted to make particularly sure you understood the reasons why the committee felt these were important. I think you are aware that the adequacy of EPA's regulations is dependent upon the data base that they act from.

We have had enumerable examples of hazardous pollutants in the environment, for which we could set standards because we didn't know the human effects. Last year was replete with examples. There were reports of toxic substances in the Mississippi River, for example, which were cancer-forming.

We could not tell you today, with the existing base of research, what levels of a particular pollutant would cause cancer in a human being, if there is any threshold level. This is the same problem we have in the saccharin matter. There is a basic amount of research in these areas; and if we regulate out of fright and say, "We can't drink any water out of the Mississippi," there will be a tremendous lack of information about the basic effects on human beings and on the ecology in general.

I think it's more important to establish the research base for the regulations than it is actually to regulate in many of these areas, without downgrading the importance of the regulation.

I submit this for the committee's consideration.

Mr. TRAXLER. Thank you very much for formally presently this to the committee. It will be most helpful to us. We are grateful that you brought to our attention, for the record, the work your committee has done on the new authorization. You may be assured, as we go to mark up, that that will be taken into consideration.

I might add, in our State, speaking of thresholds and tolerance levels—in my own State, Michigan, we have had a very bad problem.

Mr. BROWN. The PCB problem.

Mr. TRAXLER. But we are pretty well out of the woods. But what is safe, is the question. We have some guesses. We don't know what the results will be 20 years from now.

Mr. BROWN. If we were to apply the Delaney clause to the Mississippi River, nobody could drink out of it today. Fortunately, it isn't subject to administration by the Food and Drug Administration.

Mrs. BOGGS. As a matter of fact, there was some contention that various substances, such as chlorine, we were using to purify the water may be carcinogenic.

Mr. TRAXLER. We are developing complicated techniques, and if one applies zero tolerances, it literally will destroy untold industries in this Nation and people's livelihood.

Mr. BROWN. To develop a correlation between levels of a pollutant and effects on human health, our committee has done a great deal of oversight on this in connection with the so-called Chess studies which dealt basically with sulfur pollutants in the atmosphere.

We found the level of measurement science used in these was completely inadequate to really provide reliable results. Fortunately, it's improving; but 5 years ago, it was inadequate.

Mr. TRAXLER. I might say, in the absence of reliable results and firm data, we engage in the absolute, and that is the quest for zero.

With the kind of scientific apparatus that now measures quantities, one sees beautiful cattle—where they have detected a simple, and I mean within hundredths of millionths of a trace of PCB—being destroyed. You know, it's a healthy animal from the farmer's standpoint, from the Food and Drug standpoint; but because we simply don't know and can't be sure, that is what is happening.

Mr. BROWN. We underestimate the difficulty of getting this information. We think maybe it will be easy because we have a great respect for our science, and yet we are dealing with human effects and it's not easy to experiment with them. While we think we can measure precisely—in the case of cancer-causing agents, for example—it takes 20 to 30 years to determine what the effects of a particular causative agent would be.

Mrs. BOGGS. I would just like to point out to you, from some of the testimony we have had just before you came in, that in health and ecology, in the public sector, monitoring and technical support, that in air/water quality, and all of those areas—health and ecology—and the public sector and in monitoring technical support, the committee has recommended raises in the budget. And under Toxic Substances. Health and Ecology, there is a considerable raise.

Mr. BROWN. Yes. We raised that considerably, because we felt there was practically no attention given to these two areas.

Mrs. BOGGS. Solid waste has a considerable increase, as well. I am pleased to see the increases in the interdisciplinary column.

Mr. BROWN. This is where we do some research on the cost benefit analysis you were talking about.

Mr. TRAXLER. Thank you for your testimony Congressman Brown.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION SST (AST) FUNDING

WITNESS

HON. THEODORE S. WEISS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. BOLAND. The committee will come to order.

We are pleased to have with us the Honorable Theodore Weiss from New York. You are appearing in reference to the NASA Budget.

Mr. WEISS. Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you during consideration of the HUD and Independent Agencies Appropriations. I am well aware of the wide range of experiences and knowledge which each

member of this subcommittee brings to the complex task of appropriating funds for the public interest. Especially as a new Member of Congress, I am honored at this occasion to speak to a subcommittee composed of so many distinguished colleagues.

My remarks will be addressed to the appropriations for the National Aeronautics and Space Administration. In specific, I am concerned with an appropriation for the preparation of an overall program plan to achieve technology readiness for a new supersonic transport, SST, or advanced supersonic transport, AST, by the early 1980's. The authorization for this item under H.R. 4088 involved at least $15 million, but there may be more funds of which I am not knowledgeable at this time.

I know that you are likely to be familiar with the arguments pro and con concerning the old SST program and the SST issue generally, and I do not intend to repeat or revive those arguments at this time.

I realize that many view the SST or AST as an important and vital venture for our Nation and that they perceive it as essential to the effort to maintain the United States' leadership in all phases of technology development.

But merits of the program aside, there are three main reasons why I believe that funds should not be appropriated for a new SST development program. These reasons are as follows: The method by which the authorization for this program was made, spillover effects on the current dispute over the Concorde; and the likelihood that requests for funding of the new SST program will escalate.

First, the method by which the new SST project was authorized was, in my judgment, inappropriate. Existence of the authorization was disclosed during a colloquy on the House floor on March 17, when members of the House Science and Technology Committee revealed that at least $15 million was earmarked for the AST-related development program.

The authorization was not stated in the authorizing bill itself, H.R. 4088, and no direct mention of actual funding was contained in the accompanying committee report, 95–67. The only printed reference to this new SST project was on pages 18 and 19 of the report under the heading of "Committee Views." If some of us had not read this section of the committee report, we would have not known at all that in voting on H.R. 4088, we would be voting on a measure containing SST development funds.

In light of the ongoing controversy over the Concorde, Europe's version of the SST, and of the heated debate that occurred in relation to the original SST development program, we ought not—you ought not—accept such submerged procedure.

The people of this country are ultimately the financers of any SST-related work performed by the Federal Government, and I think they have a right to open and free debate on this project of major concern.

As our distinguished colleague, Mr. Udall, commented on March 17 (Congressional Record, page H2258):

> As many of my colleagues will recall, that vote (on the original SST) 6 years ago was the first test of a revolutionary new system in this body known as open voting, and under the full glare of public scrutiny the House rescinded funds for the SST. Yet despite the fact that we now vote openly and on the record, this effort to provide funds once again is being presented through the back door * * *.

It is certainly a legitimate goal to want to maintain the United States' role as a leader in air technology development, but it should not be undertaken at the price of undermining the free and open process which has equally been this Nation's claim to global leadership.

I believe that there should be a full and fair open public debate and full and fair public hearings before any SST-related funds are appropriated; the authorization of H.R. 4088 should not be seen as a fait-accompli.

The second factor which I believe should not be overlooked in deliberations on funding a new SST project lies in the foreign policy realm. Our distinguished colleague, Ms. Holtzman, pointed out during the March 17 debate that a new SST project at this time could severely affect our position in relation to the European community on the Concorde.

We are in midstream on the Concorde as studies are still currently being made about its lands at Dulles Airport and also at Kennedy Airport.

There are already indications in the newspapers that some Europeans suspect us of being jealous of their SST program.

In secretly pursuing our own SST program, we have aroused suspicion that we are simply attempting to protect our own interest by regulating Concorde flights into the United States, while arguing that we are concerned about environmental consequences too. The potential impact on our relations with our European friends must be carefully considered in deciding on appropriating funds for the H.R. 4088 authorization.

The third reason why funds should not lightly be appropriated for a new SST development program is the likelihood that requests for funding of the new SST program will escalate.

As you may recall $11 million in 1962 was the appropriation that by 1972 blossomed into over $1 billion for the original SST proposal.

I believe we can anticipate a similar escalation for this new SST program.

The mandate contained in the committee report requires that the overall plan for the new SST be ready by September of this year.

Inasmuch as the appropriation measure you are now considering is for fiscal year 1978, there must have been prior appropriations for this work. How much? When? How much more will be requested next year? Is the committee prepared for requests for increasing appropriations for a new SST program?

Last time a billion dollars was spent before Congress terminated the SST program in 1971. This time shouldn't we ask the hard questions before we spent that kind of money?

I thank you for the time you have given me to present my thoughts on the NASA appropriations.

I urge the committee to disapprove the SST (AST) funding, so that this matter will be open to public and congressional debate.

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

We will consider the argument you have presented to us. We appreciate your appearance before the committee.

Mr. WEISS. Thank you very much.

LONG BEACH, CALIF., VA HOSPITAL

WITNESS

HON. MARK W. HANNAFORD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. BOLAND. We will now turn to the Honorable Mark Hannaford, Representative from the State of California.

Mr. COUGHLIN. We welcome you aboard and you may proceed.

Mr. HANNAFORD. I am not going to take more than a minute. I have, Mr. Chairman, a statement that I would like to submit for the record and in the interest of your time and mine and the rest of the committee I will not read it.

I would like to extemporize and explain the problem. The largest veterans hospital in the country is in my district. The new administration cut all funds for major construction of veterans facilities for the next year. Obviously some projects have more merit than others. There may be some places to cut. The education and research facility at Long Beach is one that was proposed and approved in 1973, 4 years ago, for construction. It was authorized by the Veterans Affairs Committee, on which I serve, this year; $8.63 million was authorized. We have a medical research facility that has been operating for many years in temporary barracks-type buildings, in appalling conditions, leaky roofs, and dusty surroundings, with which we are trying to attract the kinds of doctors that our veterans deserve.

These doctors work in our University of California medical schools at Irvine. It is extremely difficult to attract additional research quality staff for the kind of work that we need to do under these circumstances. That is the reason it was authorized in 1973—and approved and authorized by the committee. So my purpose here today is to appeal to you, the committee, to include this in the budget this year. The quality of our institution is important. The quality of both institutions is important, that is, the university and the hospital.

Another point I would like to make is that we are authorizing moneys for purposes of economic stimulation, moneys for local projects that are on the drawing boards and ready to go, to stimulate the economy with public works projects. This VA project will create as many jobs as if they were building a bridge or any other facility for which the funds might go.

It seems to make no sense to me to cut out this VA project which has been on the burner for 4 years. I urge the committee to include this research and education facility in this year's appropriation.

Mr. COUGHLIN. We appreciate your testimony.

Let me ask one question. It is unrelated so it will sound peculiar, how long is the college at Irvine from the Long Beach hospital?

Mr. HANNAFORD. Twenty miles.

Mr. COUGHLIN. But they are closely affiliated?

Mr. HANNAFORD. Yes. The time-distance may be 15 minutes or so. They are freeway miles. The institutions have a key relationship.

Incidentally, I would like to commend the great mayor of New Orleans. When he was first a mayor we were working together. He is doing great work with those funds and the relationship between the

city and Federal Government is better in New Orleans than I have seen any place.

[The statement follows:]

STATEMENT OF CONGRESSMAN MARK W. HANNAFORD OF CALIFORNIA

Mr. Chairman and members of the committee: I appreciate this opportunity to testify in support of a Veterans' Administration construction project which I believe is particularly worthy of your attention. I am referring to the construction of a research and education facility at the Long Beach Veterans' Administration Hospital in Long Beach, Calif. The Veterans' Administration has recognized the need for this facility since 1973, but it was not until this year that the Veterans' Affairs Committee was able to authorize its construction in the Veterans' Administration budget for 1978. The cost of this project is authorized at $8.63 million.

Mr. Chairman, the Long Beach VA Hospital is the largest institution in the country's VA hospital system. The physical plant of the hospital was built in 1939 without research and education facilities. Since then, all research activities have been housed in cantonment-type temporary buildings situated at a considerable distance from the hospital. I have seen these temporary buildings, and I am appalled by the conditions. It is impossible to maintain proper research facilities and equipment in these buildings due to leaking roofs, dust, varying temperatures, and insufficient amounts of power.

This lack of quality and amount of space for research and education activities at the Long Beach VA Hospital is a major obstacle to the improvement of patient care at the facility. It is a particular obstacle in regard to the hospital's affiliation with the College of Medicine at the University of California, Irvine. This affiliation has accelerated the improvement of patient care through the recruitment of the college's physicians, who have high professional and academic qualifications. At the same time, this additional staff has exhausted the existing research facilities of the hospital.

According to Dr. James H. Mahnke, associate dean of the college of medicine, the affiliation between his college and the hospital improves patient services through the enriching of the hospital staff as a result of its being an academic teaching institution. This has been done through the situating of clinical faculty at the hospital. However, he reports that it is impossible to increase the base of clinical faculty unless something is done to improve the quality and amount of research space.

The current 32,500 net square feet of space available in these temporary research buildings is already inadequate for the present activities. In the next 3 years, the hospital will require an estimated 52,000 net square feet of research space if it is to meet its commitments to the college of medicine.

The Veterans' Administration Central Office clearly recognizes this intolerable situation and has approved the construction of a new research building that would at least partially remedy the problem. The construction project would provide 30,000 net square feet for research and 13,000 net square feet for education.

The potential for additional recruitment of highly skilled university physicians remains high because of the integration of educational programs, the available funding for faculty support, and the demonstrated willingness of the college of medicine to deploy significant portions of its core support and faculty to the hospital. Approval of this construction project is necessary for the continued recruitment and retention of an exemplary medical staff and faculty at the hospital.

However, I must note that the new administration included no additional funds for Veterans' Administration construction projects in the revised 1978 budget sent to Congress. While I understand and support the idea of reducing the Federal budget, I do not agree with some of the priorities established in the revised budget, nor with the across-the-board categorical "freezes" and reductions in the VA budget. In the first place, an adequate research and education facility at the Long Beach VA Hospital has been urgently needed since 1973. Second, the problem of hiring and retaining high quality medical personnel in VA medical facilities has been and still is very serious. Funding for this project at Long Beach could significantly mitigate these personnel shortcomings at the largest hospital in the VA system—a hospital which is, and I hope will continue to be, a

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model for other VA medical facilities. Finally, it is curious that the administration should demonstrate a greater willingness to inaugurate new public works programs than to request funds for existing project authorizations that could serve the public interest just as well. Funding of this VA project would improve health care for a population most in need of good health care, encourage employment in the same industries as public works programs, and provide employment in an area that suffers an unemployment rate considerably higher than the national average.

Mr. Chairman and members of the committee, for all of these reasons I urge you to consider and provide funds for the construction of a research and education facility at the Long Beach Veterans' Administration Hospital.

HUD–Section 1362—Federal Flood Insurance Act

WITNESS

HON. JAMES R. JONES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OKLAHOMA

Mr. Coughlin. The next witness is the Honorable James R. Jones, Representative from the State of Oklahoma.

Mr. Jones. I want to thank you for giving me the opportunity to reschedule my testimony. As you know, I couldn't make the hearing earlier this week when I was scheduled to appear. My father died and I appreciate the indulgence of the committee in rescheduling. I would ordinarily just have submitted my prepared testimony of which you have copies.

But the particular problem I would like to discuss is perhaps the most important and recurring problem in my congressional district.

I'm asking the subcommittee to consider adding $6 million to the budget for fiscal year 1978 to fund a demonstration project in Tulsa, Okla., under section 1362 of the Federal Flood Insurance Act of 1968. As you know, section 1362 says in essence that funds can be used to purchase homes that are severely or substantially damaged by recurring floods and that the negotiated price would be attained, the people relocated and the property turned over to local government for the use of parks and excess water retention areas in times of flooding. Since the authorization in 1968 there has never been funding of this relocation program.

In trying to find out why, I gathered from the administration that there was fear the program amounted to Federal land use planning. Federal land use planning is objected to in my district by a large number of people but not this particular section. They don't consider this Federal land use planning. This particular section concerns an area near Mingo Creek, predominantly middle class, blue collar workers.

In the late 1950's that area was unincorporated. It was a rural area. As in many cities, urban expansion developed so that by the late 1960's there was rapid development. What was once a narrow flood plain that affected only a few people suddenly became a large flood plain which inundated several hundred people year in and year out.

After the Flood Insurance Act of 1968, several residents of the Mingo Creek area purchased Federal flood insurance.

In the past 7 years the residents of that area have paid in about $536,000 in premiums for Federal flood insurance.

In that same period of time, FIA has paid out in damage claims just to that one area $14 million, plus another $8½ million in other kinds of grant and loan assistance under the Disaster Relief Act. It makes little economic or social sense to continue paying these kinds of recurring costs year in and year out and the costs are going to hit again in May of this year when the spring rains come.

What I'm asking, since this particular area is unique under the standards of the Federal Flood Insurance Act of 1968, that this subcommittee fund a $6 million section 1362 demonstration project. This would allow the FIA on a demonstration basis to purchase up to what they consider 200 homes, which would meet the criteria of the act, to relocate these people and to turn this over into a green belt, park area and excess water retention area. That is the basis of my recommendation and request and as I say, it is probably the most important recurring problem in my whole congressional district and it is very important to me. Any help the subcommittee can give will be appreciated.

Mr. BOLAND. Thank you very much. We are familiar with it because you brought it to the attention of this committee last year, as you have indicated.

We have to look at it. We would have to consult with the Department of Housing and Urban Development.

What is the attitude of the Department with respect to this?

Mr. JONES. I have approached them. I have not talked to the Secretary. I have talked to the head of FIA and to someone within the Department and they were both very much hopeful that this could be approved. Since it is unique, they could carry out a demonstration project and find out whether this would be applicable elsewhere.

They told me they were paying out substantially more in claims than they are getting in premiums. Perhaps this kind of approach is something that would be economically wise down the road.

Mr. COUGHLIN. I have no questions, Mr. Chairman.

Mr. BOLAND. Thank you, Congressman Jones.

Mr. JONES. Thank you, Mr. Chairman.

[The complete statement follows:]

STATEMENT OF CONGRESSMAN JAMES R. JONES OF OKLAHOMA

Chairman Boland, distinguished members of the committee, I am here today on an urgent matter which makes good common fiscal sense and eliminates the continued expenditure of millions of Federal dollars. I respectfully propose this committee include in the budget for Housing and Urban Development (fiscal year 1978) $6,000,000 to fund, under provisions of the 1968 Flood Insurance Act, a section 1362 demonstration program for Tulsa, Okla.

The Congress has authorized the Federal Insurance Administration to step in and purchase substantially damaged homes in high-risk flood areas which are insured under the Federal flood insurance program. What the Congress has not done is provide money to implement the program.

It's time we got on with the business at hand. A demonstration program under section 1362, 1968 Flood Insurance Act, will benefit the entire Nation.

In the Mingo Creek flood area of Tulsa, the Federal Government has collected approximately $536,000 in flood insurance premiums from policyholders since 1968. The 1,500 claims filed during that same period of time have caused the Federal Government to pay out over $14,000,000 for flood damages incurred by policyholders. This is in addition to another $8,500,000 the Federal Government has provided in direct loans and grants under the disaster assistance program.

In fact, the next payment by the United States is only as far away as our next big rain storm, and in Oklahoma we're entering the storm season.

From research I have developed, the flooding problems and proposed relief for the city of Tulsa clearly presents a most unique situation. By approving a one-time section 1362 demonstration program for Tulsa to meet many of these flood problems, the Congress could effect considerable over-all budget savings in the future. Yet, there would be no onsetting budgetary increases arising from duplicate programs across the Nation being automatically eligible for similar funding.

Section 1362 of the 1968 Flood Insurance Act authorizes the Secretary of Housing and Urban Development to purchase substantially damaged homes in high-risk flood areas that are insured under the Federal flood insurance program. The Secretary can then transfer these properties to an agency of local government, under an agreement whereby affected homeowners will be relocated out side the high-risk flood area.

The underlying rationale for the section 1362 program is sound. There is no justification for continued Federal subsidization of repairs to homes that remain in high-risk flood areas, homes that are certain to flood again and again.

Most of you are well aware of the large amounts of flood damage suffered by the city of Tulsa during nine Presidentially declared disasters since 1970.

Tulsa city officials have made a good-faith effort to meet their responsibilities concerning the flooding problem. Using various funds—community block grant money, general revenue sharing and city revenues—they have initiated a program to perform stream channelization, bridge replacement and some home relocations from the principal hazard areas near Mingo Creek.

City officials still need additional funding, however, to complete the project despite the fact they have allocated a very large portion of all their Federal block grant funds to this project. Assistance under section 1362 would enable the city to do a far more thorough and efficient flood control job, and hasten completion of the overall project.

I have met and talked with Bob Hunter, Administrator of the FIA. At my request, Bob and his staff developed preliminary information on the feasibility of a section 1362 project for Tulsa. The total cost would be roughly $6 million.

The flooding problems in Tulsa and the potential applicability of section 1362 to it, is a very unique situation:

The May 30, 1976, disaster was the first such occurance nationwide where over one-half of all affected homes were covered by federally-subsidized flood insurance. Approximately 200 of those homes received damage equal to, or greater than, 50 percent of their fair market value (a standard the FIA has tentatively adopted pursuant to the definition of "damaged substantially * * *" in subparagraph (3) of section 1362.)

Tulsa is the only city, to my knowledge, that has undertaken on its own a local flood control effort after failing to receive assistance from the Corps of Engineers.

Because mark-up of the fiscal year 1977 HUD Appropriations was concluded prior to the May 30 flood disaster, and the bill was ready for a vote in the full House, it was not possible last year to request the necessary $6,000,000 from your Subcommittee to fund a Section 1362 Demonstration Program for Tulsa.

I personally believe, as I think you do also, that our Federal Government must re-order its priorities concerning flood disaster assistance programs. It simply doesn't make sense to continue paying out millions and millions of dollars through FIA claims, Small Business Administration loans and grants, direct grants from the Federal Disaster Assistance Administration, et cetera, to rebuild or replace private and public facilities which, we can be virtually certain, will suffer severe flood damage again.

The Tulsa Section 1362 program is an opportunity, if only on a demonstration or trial basis, to try and break the vicious cycle of pouring federal funds into areas certain to receive repeated damage of a similar nature.

Our minimal investment of $6,000,000 to fund the Tulsa project will eliminate claims against FIA and our federal budget equal to 3 or 4 times as much in future years.

In a letter to me last year, Bob Hunter, then Acting Federal Insurance Administrator, said:

"I would hasten to add that the Department is most seriously concerned over the rapid succession of multiple flood losses to certain properties in the nation and in Tulsa, Oklahoma, in particular."

Mr. Hunter went on to point out to me some facts and figures which I want to place before the Committee at this time.

He said:

"Based upon field investigations, and preliminary estimates from the National Flood Insurers Association, we estimate conservatively that the total cost for the demonstration project as you propose would cost $6,000,000. This figure is based upon the following factors:

"(1) at least 200 of the structures damaged at or beyond 50 percent of their market value had suffered flood losses previous to the May 29 and 30 Tulsa floods;

"(2) an average purchase price of $40,000 less the average estimated claim for flood insurance of $10,000.

"We estimate that assuming such a demonstration project were authorized and assuming negotiations were agreeable to all parties involved, the transfer of title to all such properties could be satisfactorily effected within 6 to 9 months."

Mr. Chairman, members of the Committee, it just makes more sense to buy these damaged homes and relocate families than to keep rebuilding them in the same flood area where the FIA has already spent $14 million. All we'll do is turn right around and spend it all over again—year after year after year!

In conclusion, it is my view we must start facing up to the need for solving urban flood problems *before* the damage has been done. If for no other reason than it makes good sound economic sense and will eliminate a significant drain on our Federal budget, this program should be undertaken.

The community of Tulsa—cities and towns with similar problems all across the Nation—need your support. Let's fund this project and get this program to work saving people's lives, homes, and their Federal tax dollars.

I strongly urge your favorable consideration of my request for a $6 million section 1362 demonstration program at Tulsa, Okla.

Thank you.

VETERANS' ADMINISTRATION

WITNESS

CHARLES E. JOECKEL, JR., LEGISLATIVE ASSISTANT FOR THE DISABLED AMERICAN VETERANS

Mr. TRAXLER. We want to welcome Mr. Charles Joeckel, legislative assistant for the Disabled American Veterans.

We have a copy of your statement which will be inserted in the record.

If you would care to summarize it for us or however you care to present it, we would be pleased to hear you at this time.

Mr. JOECKEL. Thank you, Mr. Chairman. With your permission I would like to just summarize my statement.

I am very pleased to be here to represent the Disabled American Veterans and I would like to say that we come here today not as experts in fiscal or budgetary matters, but rather as an organization that has, for more than 50 years, had a deep and abiding interest in our Nation's disabled veterans.

The VA budget request for fiscal year 1978 is unique in the fact that it is primarily a proposal made by an outgoing administration and revised most recently by the new administration.

We are most pleased that these major budget revisions include a withdrawal of the proposal that would have reduced the period of eligibility for GI bill education benefits from 10 to 8 years, and we welcome President Carter's request for increased funding of $408 million in budget authority to include increases in the rates of compensation and pension benefits for fiscal year 1978. As a result of these changes, budget authority and outlays for function 700 in 1978 are now estimated to $19.1 billion, $.9 billion over the January request.

We commend the new administration for their insight in recommending the appropriation of funds to cover 1978 increases in compensation and pension payments, which anticipates an increase in the Consumer Price Index. The DAV has long sought the appropriation of such funds in connection with budget requests, in order to insure that these essential benefits for disabled veterans are not eroded by inflation. We welcome this request for increased budget authority in order to offset similar increases in the cost of living. The initial request of $408 million however, projects only a 4.9 percent increase in the CPI—an estimate which will be, in our opinion, well below the actual rise in the cost of living.

In fact, Mr. Chairman, the VA budget as amended remains, in our view, inadequate. When considering the budget on a current services basis, outlays for veterans benefits and services are estimated to increase from $19.2 billion in 1977 to $19.7 billion in 1978. The budget, presently under consideration by the subcommittee, remains $.6 billion under the current services estimate for 1978.

The DAV strongly opposes these legislative proposals to reduce veterans benefits by nearly $300 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 1978 appropriation be increased by this amount.

The Department of Veterans' Benefits is directly responsible for providing all nonmedical benefits and services authorized by law to veterans, their widows and dependents.

These benefits include such major programs as, compensation for service-connected liabilities; pension for the aged, needy and unemployable veterans; vocational rehabilitation assistance; educational and training assistance; home buying assistance; dependency and indemnity compensation and nonservice-connected death benefits.

Despite serious workload problems that continue to occur, the VA budget request for fiscal year 1978 calls for a decrease of 571 employees for the Department of Veterans' Benefits. This is based on an anticipated decline in the education workloads and a reduction in the vet-rep on-campus program.

While we agree, Mr. Chairman, that educational workloads will gradually decline, due to the termination of educational entitlement for those entering military service after December 31, 1976, the DAV maintains that the reduction of 571 employees in the Department of Veterans' Benefits is unwarranted. We find it necessary to bring to the subcommittee's attention, the enactment of Public Law 94–502 which extended absolute educational benefits from 36 months to a maximum of 45 months.

Based on this increase in benefit entitlement, we do not feel that the decline in the education workloads in fiscal year 1978 will be as great as anticipated by the Veterans' Administration.

In this connection, if the ever-increasing workloads in Veterans' Administration regional offices across the country are to be handled efficiently and without the frustrating delays and overpayments that

have been previously encountered, this proposed reduction must not take place.

We, therefore, ask the committee's approval of full funding for the budget request for Department of Veterans' Benefits and urge that the fiscal year 1977 employment level for the Department of Veterans' Benefits be maintained.

Accordingly, we respectfully request that budget authority for this activity be increased by the $5.7 million.

This appropriation provides for the payment of readjustment and rehabilitation benefits and the funding of an education loan program, to or on behalf of veterans. Under this category, benefits are available to basically three different groups of individuals:

Service Disabled Veterans: Vocational rehabilitation is provided for the purpose of restoring employability lost by reason of a handicap due to service-connected disability—chapter 31, title 38, U.S. Code.

Veterans and Service Persons: With the enactment of Public Law 94–502 beginning in fiscal year 1977, two veterans education programs will be administered by the Veterans' Administration: (1) The post-Korean program, chapter 34 will be in effect for all veterans who have completed their service, and servicemen who were either or had signed a commitment for service prior to January 1, 1977, (2) the new post-Vietnam era program, chapter 32 is for those individuals who enlisted in the service after December 31, 1976.

Servicemen electing to participate in the post-Vietnam era program must make contributions to the post-Vietnam education account. These contributions will be matched on a 2-for-1 basis by the readjustment benefits appropriations when the individual begins to utilize his educational benefits.

To provide for the payment of readjustment and rehabilitation benefits for an estimated 2.1 million veterans, their dependents and survivors, the Veterans' Administration is requesting an appropriation of $3,983,900,000—a decrease in budget authority of $738,675,000 under fiscal year 1977.

This reduction in readjustment benefits is based on the contention that the number of trainees will decline by 184,215 in 1978, primarily due to the expiration of entitlement for those veterans who were discharged from service more than 10 years ago.

Again, Mr. Chairman, we would like to point out that Public Law 94–502 removed the restriction to undergraduate use of the 9 months of additional benefit entitlement granted in 1974, thus allowing a maximum of 45 months of eligibility for an approved program of education, including graduate work. Budget requests for readjustment benefits for fiscal year 1978 make no projections for the number of veterans who will avail themselves of this additional entitlement.

In view of the record of the Veterans' Administration in estimations for readjustment benefits in the past, we are very pessimistic about this anticipated decline in expenditures.

The DAV—by its very nature—has an enduring interest in the VA hospital and medical programs, and we are very pleased that the $4.7

billion budget request for medical care calls for an increase of nearly $330 million over appropriations for fiscal year 1977.

We are most pleased that there is a substantial increase in the fiscal year 1978 appropriation request for the VA medical care program. However, the Congress, over the past few years, has approved legislation which has greatly improved and extended VA health care benefits, and we are vitally concerned, Mr. Chairman, whether adequate funding is available to accomplish these liberalizations.

Public Law 94–581, the Omnibus Health Care Act of 1976, is the most recent example of congressional initiatives to enhance the quality of VA health care services.

The DAV strongly supported the enactment of the Veterans Omnibus Health Care Act of 1976, and we are equally supportive of adequate funding to implement these changes.

Additionally, Mr. Chairman, there is an urgent need for additional funds to deal with the greatly increasing outpatient care loads. It should be noted that original VA projections for medical outpatient visits totaled 15,990,000 for fiscal year 1977. Already projections for medical outpatient visits for 1977 are set at 16,914,000—1,324,000 over previous estimations. Accordingly, we feel that VA projections for medical outpatient visits of 17,474,000 for fiscal year 1978 are underestimated by approximately 1 million visits.

Based on the new eligibility criteria in outpatient treatment, established by Public Law 94–581, we urge the addition of the necessary funding to accommodate these expected increases.

CONSTRUCTION PROGRAMS

The Veterans' Administration's construction 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 estimate cost of a project is less than $1 million, and for cost of the Office of Construction.

We are most pleased that the budget request for construction is up by $27.6 million over the fiscal year 1977 level.

However, Mr. Chairman, budget authority for the VA construction program, in fact, represents the following decreases:

Replacement and modernization	$78,437,000
Domiciliaries	2,162,000
Research and education	4,551,000

We are very distressed that budget requests for these programs, which are certainly concerned with the quality of VA care, have been cumulatively reduced by $85.1 million.

The DAV believes that expenditures for these programs of construction must be continued at least at current levels and we respectfully request that the appropriation for construction programs be increased by as much as $85 million.

In conclusion, the Disabled American Veterans strongly supports full funding of the Veterans' Administration fiscal year 1978 budget

request with the additions recommended in this presentation. We also wish to point out that although the 94.1 million veterans, their dependents and survivors, now constitute 44 percent of the total population of the United States, the Veterans' Administration's budget request, as amended, represents only 4.1 percent of total Federal outlays for fiscal year 1978.

Thank you again, Mr. Chairman, for giving us this opportunity to present our views in connection with the VA budget request for fiscal year 1978.

[The complete statement follows:]

STATEMENT OF CHARLES E. JOECKEL, JR.

Mr. Chairman and members of the subcommittee, the Disabled American Veterans sincerely appreciates this opportunity to offer comments on the Veterans Administration budget request for fiscal year 1978.

We come here today, Mr. Chairman, not as experts in fiscal or budgetary matters, but rather as an organization that has, for more than 50 years, had a deep and abiding interest in our Nation's disabled veterans, their dependents, and survivors. We, therefore, are vitally concerned with adequate funding for all VA programs that provide benefits and services for our 29.7 million veterans, the 59.2 million members of their families, and the 3.8 million survivors of deceased veterans.

The VA budget request for fiscal year 1978 is unique in the fact that it is primarily a proposal made by an outgoing administration and revised most recently by the new administration.

We are most pleased that these major budget revisions include a withdrawal of the proposal that would have reduced the period of eligibility for G.I. bill education benefits from 10 to 8 years, and we welcome President Carter's request for increased funding of $408 million in budget authority to include increases in the rates of compensation and pension benefits for fiscal year 1978. As a result of these changes, budget authority and outlays for function 700 in 1978 are now estimated to be $19.1 billion, $0.9 billion over the January request.

We commend the new administration for their insight in recommending the appropriation of funds to cover 1978 increases in compensation and pension payments, which anticipates an increase in the consumer price index. The DAV has long sought the appropriation of such funds in connection with budget requests in order to insure that these essential benefits for disabled veterans are not eroded by inflation. We welcome this request for increased budget authority in order to offset similar increases in the cost of living. The initial request of $408 million, however, projects only a 4.9 percent increase in the consumer price index—an estimate which will be, in our opinion, well below the actual rise in the cost of living.

In fact, Mr. Chairman, the VA budget as amended, remains, in our view, inadequate. When considering the budget on a current services basis, outlays for veterans' benefits and services are estimated to increase from $19.2 billion in 1977 to $19.7 billion in 1978. The budget, presently under consideration by the subcommittee, remains $0.6 billion under the current services estimate for 1978.

Budget authority, including President Carter's amendments for fiscal year 1978 consists of an appropriation request of $19,035,766,000 including $511,108,000 of permanent authority and savings of $297,614,000 from the following items of proposed legislation:

	Amount of savings
Proposed legislation: Eliminate veterans burial payments in instances and to the extent that they duplicate other federally funded programs	—$79,500,000
Readjustment benefits:	
Eliminate new enrollment in flight training programs	—6,400,000
Terminate the education loan program and fund under chapters 32, 34 and 35	—386,000
Eliminate new enrollments in correspondence training programs	—8,710,000

	Amount of savings
Medical care:	
To effect reimbursement to the Veterans Administration by private insurers and workers compensation for the cost of medical care and treatment to veterans with non-service-connected disabilities	—$126,700,000
To amend current legislation to limit the payment of travel expenses of beneficiaries provided medical care for non-service-connected disabilities	31,444,000
General operating expenses: Administrative expense reduction related to legislative proposal eliminating new enrollments in correspondence school programs	—200,000
Grants for construction and operation of State cemeteries: Authorize a 50–50 federal grant program with state governments for the construction, improvement and maintenance of veterans cemeteries to provide wider availability of veterans cemeteries	+3,750,000
Total VA proposed savings (with new administration amendments	297,614,000

The DAV strongly opposes these legislative proposals to reduce veterans' benefits by nearly $300 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 1978 appropriation be increased by this amount.

DEPARTMENT OF VETERANS' BENEFITS

The Department of Veterans' Benefits is directly responsible for providing all nonmedical benefits and services authorized by law to veterans, their widows, and dependents.

These benefits include such major programs as compensation for service-connected disabilities; 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.

Despite serious workload problems that continue to occur, the VA budget request for fiscal year 1978 calls for a decrease of 571 employees for the Department of Veterans' Benefits. This is based on an anticipated decline in the education workloads and a reduction in the Vet-Rep On-Campus program.

While we agree, Mr. Chairman, that educational workloads will gradually decline, due to the termination of educational entitlement for those entering military service after December 31, 1976, the DAV maintains that the reduction of 571 employees in the Department of Veterans' Benefits is unwarranted. We find it necessary to bring to the subcommittee's attention, the enactment of Public Law 94–502 which extended absolute educational benefits from 36 months to a maximum of 45 months. Based on this increase in benefit entitlement, we do not feel that the decline in the education workloads in fiscal year 1978 will be as great as anticipated by the Veterans Administration.

In this connection, if the ever-increasing workloads in Veterans' Administration regional offices across the country are to be handled efficiently and without the frustrating delays and overpayments that have been previously encountered, this proposed reduction must not take place.

We, therefore, ask the committee's approval of full funding for the budget request for Department of Veterans' Benefits and urge that the fiscal year 1977 employment level for the Department of Veterans' Benefits be maintained. Accordingly, we respectfully request that budget authority for this activity be increased by the $5.7 million.

READJUSTMENT BENEFITS

This appropriation provides for the payment of readjustment and rehabilitation benefits and the funding of an education loan program, to or on behalf of veterans. Under this category, benefits are available to basically three different groups of individuals:

Service disabled veterans.—Vocational rehabilitation is provided for the purpose of restoring employability lost by reason of a handicap due to service-connected disability—chapter 31, title 38, United States Code.

Veterans and servicemen.—With the enactment of Public Law 94–502 beginning in fiscal year 1977, two veterans education programs will be administered by the Veterans' Administration: (1) The post-Korean program, chapter 34, will be in effect for all veterans who have completed their service, and servicemen who were either in the service or had signed a commitment for service prior to January 1, 1977, (2) the new post-Vietnam era program, chapter 32, is for those individuals who enlisted in the service after December 31, 1976. Servicemen electing to participate in the post-Vietnam era program must make contributions to the post-Vietnam education account. These contributions will be matched on a 2 for 1 basis by the readjustment benefits appropriations when the individual begins to utilize his educational benefits.

To provide for the payment of readjustment and rehabilitation benefits for an estimated 2.1 million veterans, their dependents and survivors, the Veterans' Administration is requesting an appropriation of $3,983,900,000—a decrease in budget authority of $738,675,000 under fiscal year 1977.

This reduction in readjustment benefits is based on the contention that the number of trainees will decline by 184,215 in 1978, primarily due to the expiration of entitlement for those veterans who were discharged from service more than 10 years ago. The VA has also considered the factor that many veterans have used their full educational entitlement or have completed their educational objective.

Again, Mr. Chairman, we would like to point out that Public Law 94–502 removed the restriction to undergraduate use of the 9 months of additional benefit entitlement granted in 1974, thus allowing a maximum of 45 months of eligibility for an approved program of education (including graduate work). Budget requests for readjustment benefits for fiscal year 1978 make no projections for the number of veterans who will avail themselves of this additional entitlement.

In view of the dismal record of the Veterans' Administration in estimations for readjustment benefits in the past, we are very pessimistic about this anticipated decline in expenditures. The DAV believes that these programs will continue at approximately the current level in fiscal year 1978, and we respectfully request that the appropriation for readjustment benefits be increased accordingly.

MEDICAL CARE

The medical care apppropriation provides for medical care and treatment of eligible beneficiaries and Veterans' Administration hospital, nursing home care, 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).

The DAV—by its very nature—has an enduring interest in the VA hospital and medical programs, and we are very pleased that the $4.7 billion budget request for medical care calls for an increase of nearly $330 million over appropriations for fiscal year 1977.

This increased funding will provide:

1. An average employment increase of 3,488 in the Department of Medicine and Surgery.
2. A 54,576 increase in the number of inpatient beneficiaries treated.
3. The necessary staff to handle the increase in the average daily inpatient census of 1,621.
4. An increase to 4.4 in the staff to patient ratio for the surgical bed sections and an overall composite increase in staff to patient ratios to 2.7.

We are most pleased that there is a substantial increase in the fiscal year 1978 appropriation request for the VA medical care program. However, the Congress, over the past few years, has approved legislation which has greatly improved and extended VA health care benefits, and we are vitally concerned, Mr. Chairman, whether adequate funding is available to accomplish these liberalizations.

Public Law 94–581, the Omnibus Health Care Act of 1976, is the most recent example of congressional initiatives to enhance the quality of VA health care services. As enacted, Public Law 94–581:

1. Authorizes mental health services, consultation, professional counseling, and training for family members of a veteran receiving outpatient care for service-connected disability when essential to the effective treatment and rehabilitation of the veteran.

2. Provides total VA health care eligibility to any veteran with a service-connected disability rated at 50 percent or more—lowered from 80 percent under previous law.

3. Extends CHAMPVA coverage to the widow or surviving children of a veteran who, at death, suffered from a total and permanent service-connected disability.

4. Requires the VA, in accordance with present DM&S plans, to establish and operate a minimum of 10,000 nursing home care beds by fiscal year 1980.

5. Requires the Chief Medical Director to prepare a study to determine how to accommodate the growing number of elderly veterans in the VA health care system.

The DAV strongly supported the enactment of the Veterans' Omnibus Health Care Act of 1976, and we are equally supportive of adequate fundings to implement these changes.

We, therefore, wish to bring to the committee's attention some of the funding deficiencies in the fiscal year 1978 request for VA medical care:

1. Despite the increasing age of the veteran population, there is no increase in the domiciliary patients to be treated.

2. There is no increase in the average employment in domiciliaries.

3. In spite of the recent changes in the civilian health and medical program of the Veterans' Administration (CHAMPVA); VA estimations of average hospital census and outpatient fee visits for CHAMPVA eligibles are grossly underestimated.

Additionally, Mr. Chairman, there is an urgent need for additional funds to deal with the greatly increasing outpatient care loads. It should be noted, that original VA projections for medical outpatient visits totaled 15,990,000 for fiscal year 1977. Already, projections for medical outpatient visits for 1977 are set at 16,914,000 over previous estimations. Accordingly, we feel that VA projections for medical outpatient visits of 17,470,000 for fiscal year 1978 are underestimated by approximately one million visits.

Based on the new eligibility criteria in outpatient treatment, established by Public Law 94–581, we urge the addition of the necessary funding to accommodate these expected increases.

CONSTRUCTION PROGRAMS

The Veterans' Administration's construction 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 a project is less tha $1 million, and for cost of the office of construction.

We are most pleased that the budget request for construction is up by $27.6 million over the fiscal year 1977 level. However, Mr. Chairman, budget authority for the VA construction program, in fact, represents the following decreases:

Activities:	*Amount*
Replacement and modernization	$78,437,000
Domiciliaries	2,162,000
Research and education	4,551,000

We are very distressed that budget requests for these programs, which are certainly concerned with the quality of VA care, have been cumulatively reduced by $85.1 million.

If the quality of the VA medical care program is to remain "second to none" then:

1. Replacement and modernization of its facilities must continue in order to meet the demand of both the advancing age of the veteran population and the new eligibility established by liberalizations in the law.

2. The capacity of VA domiciliary and nursing home care facilities must increase in at least the same ratio as the increase in the age of our nation's veterans.

3. Budget authority for research and education—concerned with such improvements as outpatient clinics, locating and correcting deficiencies and elimination of safety hazards—should not be reduced by half.

The DAV believes that expenditures for these programs of construction must be continued at least at current levels and we respectfully request that the appropriation for construction programs be increased by as much as $85 million.

In conclusion, the Disabled American Veterans strongly supports full funding of the Veterans' Administration fiscal year 1978 budget request with the additions recommended in this presentation. We also wish to point out that although the 94.1 million veterans, their dependents and survivors, now constitute 44 percent of the total population of the United States, the Veterans' Administration's budget request, as amended, represents only 4.1 percent of total Federal outlays for fiscal year 1978.

Thank you again, Mr. Chairman, for giving us this opportunity to present our views in connection with the VA budget request for fiscal year 1978.

Mr. TRAXLER. Thank you Mr. Joeckel.

Mrs. BOGGS. Do you have any questions or comments? Yes. Of course, I should first like to thank you very much for being here and for giving us your splendid testimony. I did notice one item in your full report that authorizes the 50–50 Federal grant program for the construction and improvement of veterans cemeteries.

Mr. JOECKEL. Yes.

Mrs. BOGGS. Is that something you are especially interested in?

Mr. JOECKEL. Yes. As you know, the VA now has a national cemetery program. And currently there is just not enough cemeteries for the veterans.

There has been liberalization in the Arlington National Cemetery, but we feel that many veterans would rather be buried in their home State, if possible.

And this program continues the cemetery program so that the veteran can be buried near his home in a national cemetery.

Mrs. BOGGS. And you think it is important to have a specific national cemetery and not just to make provisions for veterans to be buried in other cemeteries in their home States?

Mr. JOECKEL. Yes, ma'am, we do.

Mrs. BOGGS. Thank you very much.

Mr. TRAXLER. We are very appreciative of the contributions the DAV has made in the past. Your testimony will definitely be given very serious consideration as we go to markup. Thank you very much.

ENVIRONMENTAL PROTECTION AGENCY

Mr. BOLAND. The committee has received a statement from Hon. Edwin Edwards, the Governor of the State of Louisiana regarding the Environmental Protection Agency. We will be pleased to place his statement in the record at this point.

[The statement follows:]

STATEMENT OF GOV. EDWIN EDWARDS OF LOUISIANA

APRIL 7, 1977.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on Housing and Urban Development-Independent Agencies, Committee on Appropriations, Washington, D.C.

DEAR MR. CHAIRMAN: Both in my capacity as lead Governor of the National Governors' Conference Standing Subcommittee on Waste Management and as

governor of Louisiana, I feel it necessary to comment on the inadequate level of funding proposed by OMB for implementation of Public Law 94–580, the Resource Conservation and Recovery Act of 1976.

Only $7 million nationally have been proposed by the Administration for use by the states and regional areas to conduct the planning, program development, and implementation activities necessary under Public Law 94–580 to move forward toward realization of the very desirable goals and objectives of the Act. An additional $5 million of 208 residuals management funds under the authorization of Public Law 92–500 are proposed to be added, making the total of only $12 million nationally available to the states and regional areas for solid waste management planning and implementation during fiscal year 1978.

I must emphasize the inadequacy of this level of funding for the purposes of subtitle D of the act, "State or regional solid waste plans." Subtitle D authorizes $30 million for fiscal year 1978 "for purposes of making grants to the states for the development and implementation of state plans under this subtitle." Subtitle D also authorizes $15 million for fiscal year 1978 "to provide financial assistance to States, counties, municipalities, and intermunicipal agencies and State and local public solid waste management authorities to provide solid waste management, resource recovery, and resource conservation services and hazardous waste management." In addition, subtitle D authorizes $2.5 million in facilities grants, and $25 million for assistance to rural communities in fiscal year 1978.

The authorized funding for the subtitle D activities noted above totals $72.5 million.

With full recognition for the need to conduct the appropriations process with consideration of the cost-effectiveness of resource allocations, I recommend on behalf of the National Governors' Conference Subcommittee on Waste Management appropriations for the planning processes authorized under subtitle D of $30 million, and for implementation activities under subtitle D $10 million. The total recommended funding for subtitle D is, therefore, $40 million, or 55 percent of the authorized level. I must observe that, without sufficient planning support, the push of the act toward regionalization of solid waste management will collapse.

The administration funding proposal has made no specific funding allotment for subtitle C, "hazardous waste management." The Governors feel that this is a serious omission, and will cripple effective implementation of the act's required hazardous waste regulatory program. We cannot subscribe to the administration argument that, because the hazardous waste regulatory program will not be in force in fiscal year 1978, the States can afford to delay significant action in planning for and developing the management of a hazardous waste program effort (under the concept of interim authority) until the permit program's starting date. Clearly, the Congress provided for the option of State administration of the program, and provided a not unreasonable authorized funding level to assist the States to prepare for management of a comprehensive new regulatory system.

The Governors have supported the goals of Public Law 94–580, including the new hazardous waste regulatory system. At least 17 States are now considering legislative initiatives required for the assumption of interim program authority, in addition to those States already having substantial statutory authority. This is an impressive rate of progress, consistent with the congressional intent; however, that rate of progress is contingent upon continued and intensive planning and program development if the regulatory system is to go into effect smoothly and effectively. To impede program development by failing to provide a reasonable level of subtitle C funding is to invite, literally, chaos when the permit system begins. I recommend, on behalf of the Subcommittee on Waste Management, funding for State program planning and development under subtitle C of at least $10 million, or 40 percent of the authorized level. I strongly urge that such appropriations be specifically identified as subtitle C funds for State hazardous waste management planning and program development.

Cordially,

EDWIN EDWARDS,
Governor of Louisiana.

Mr. BOLAND. The committee has received a statement from Mr. Theodore H. Rider, managing director, New England Consortium on

Environmental Protection on the Environmental Protection Agency. We will place the statement in the record at this point.

[The statement follows:]

STATEMENT OF THEODORE H. RIDER, MANAGING DIRECTOR, NEW ENGLAND CONSORTIUM ON ENVIRONMENTAL PROTECTION

THE ROLE OF UNIVERSITY CONSORTIA IN AIR POLLUTION MANPOWER DEVELOPMENT

I. Introduction

Mr. Chairman and members of the HUD-Independent Agencies Subcommittee, my name is Theodore H. Rider, managing director of the New England Consortium on Environmental Protection. NECEP, as it is commonly known, is an unincorporated association of 14 New England universities engaged in manpower development activities, primarily under the support of the U.S. Environmental Protection Agency (EPA), Office of Air Quality Planning and Standards, Research Triangle Park, N.C. This consortium has been in existence since late 1970 and has made noteworthy achievements [1] in education, training, and placement of individuals in Federal, State and local air pollution control and environmental control agencies in the New England area, concurrent with the generation of reports, papers and other documents, of use to these agencies

The purpose of this testimony is to identify these achievements, and place them into perspective with other worthwhile options which are currently also being employed for the purpose of manpower development for air pollution research and control. Table I summarizes characteristics of the programs discussed, and suggests that increased support to the university consortia concept could offer an opportunity to complement the other manpower development programs, by attracting people not being supported by them and by placing high percentages of its graduates in agencies, at costs which are attractive in terms of Federal investment.

Table I

Program and percent trainees placed	*Annual cost to U.S. per trainee*
University consortia: Government environmental and air pollution, 39 percent; non-Government environmental and air pollution, 48 percent	Under $1,000.
Traditional training grants: About 50 percent	About $5,000.
Fellowships: Over 90 percent retained [2]	About $4,000.
Short course training: Essentially 10 percent	1.1 m in fiscal year 1975 for 2,100 trainees. [3]
Forgivable loans: No data yet	Up to $6,800.

II. University Consortia [4]

The concept of university consortia for manpower development was developed in 1969 and 1970 by Dr. Harry P. Kramer, now retired, but then of the National Air Pollution Control Administration. At that time six consortia were formed, including NECEP, which was originally known as the New England Consortium on Air Pollution. However, since funds available for consortia support were being reduced as early as 1973, an EPA decision was made to support only one or two, to serve as an example of what could be done nationally if support were available for all of them. NECEP was fortunate in being selected as one of the consortia to receive modest funding for this demonstration purpose, and has continued since to try to develop itself as an effective and efficient organization.

To date, NECEP has supported 307 students, primarily at the graduate level, in academic year and intern programs. Of the 113 graduated to date, 87 percent have gone into Federal, State and municipal agencies, or other organizations in the environmental or air pollution field. Moreover, as figure 1 illustrates, the NECEP program has accomplished its goal with decreasing costs per student, running under $1,000 for the fiscal year 1976 summer program and expected to stabilize in the $1,000 to $1,500 range in the future, depending on agency cost sharing.

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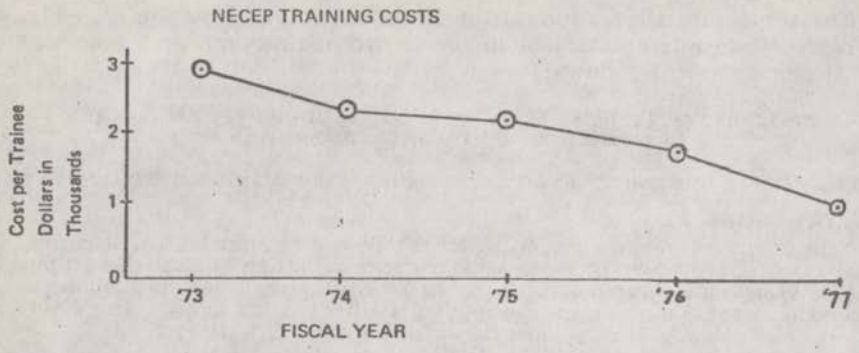

Figure 1

The NECEP program responsible for this success is structured primarily around summer internships by means of which students actually have an opportunity to intern in Federal, State and local agencies for a period of about 2½ months under NECEP auspices, and under academic direction of NECEP. The programs are carefully structured so that the participating students gather periodically throughout the summer, beginning with an initial 1-week training conference and ending with a student-managed conference in which they present the results of their summer studies. There are numerous other aspects to these programs which enhance their interuniversity and interdisciplinary nature, appropriate descriptive materials being available from NECEP [5].

Cost-sharing support by these agencies for the internships is on the increase, and was over 50 percent during the 1976 intern program, due to a high degree of program acceptance.

One of the unique reasons for success of this program is that students have reacted favorably to the operational agency exposure they are offered through it, and those continuing into agency employment have done so with a sense of dedication and commitment developed from their actual experience with the NECEP program.

Not only has it been possible to achieve these remarkable cost and placement results with this program, but it is important to note that during the course of their participation in the NECEP activity, students prepare reports and papers [5] which help supply agency needs for information and analysis, and have not only been used for expert witness testimony, but have been disseminated as agency products.

III. Traditional training grants

Traditional air pollution traineeships have for years accounted for the majority of people receiving university training for the purpose of employment in agencies or related air pollution control jobs. These traineeships, since 1969 through fiscal year 1976, have supported 2,514 students: 652 at the technician level, 325 at the bachelor of science level, 1,344 at the masters level, and 193 at the Ph. D. level. This has been done at an average cost per student to the U.S. Government of about $5,000, [3] which does not include significant costs of facilities, maintenance, administration, and other related faculty costs which have been absorbed by the universities in the conduct of these programs. The continued existence of these traineeships, now being converted to forgivable loan grants, is therefore seen to be critical to the maintenance of these university capabilities and cannot be offset by the impact of: Fellowships, which involve far fewer people; short course training, which does not have the same requirements for faculty and facilities; or university consortia, which succeed at low cost largely due to the multiplier effect of having students who are otherwise supported by work-study and non-Federal money, and also by having access to resources otherwise justified by traditional traineeships.

IV. Fellowships

Unique in being offered only to employees of State and municipal agencies, fellowships offer the opportunity of full-time university attendance for not more

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than 1 year so that the employee can return to his agency better able to support its requirements as a technically more competent person. These programs are highly effective [6] in returning most of the individuals to the agencies, and are currently on the incease. Full-time EPA fellowships nearly tripled, from 14 to 37, from fiscal year 1973 to fiscal year 1976, and part-time fellowships, in the same time period, rose from 6 to 80. [2] These, together with special fellowships and individuals certified by agencies as potential employees, account for total awards of from 53 in 1973 to 135 in 1976, nearly a threefold increase.

It is currently estimated that the cost of fellowships is approximately $4,400 per full-time equivalent fellow. [3] Fellowships have proven to be a valuable incentive for employees in recent years, and in fact, have been used to assure that the more outstanding employees remain with control agencies. [7]

V. Short course training

Short course training activities since 1968 have attracted large numbers of agency personnel for typical periods of about one week, on the average, but have been estimated to meet only 30 to 35 percent of agency needs in the short course training area. The effect of requiring payments of $30 to $56 per day for nonexempt attendees has resulted in a rapid falloff since 1973 in both the number of trainees and the number of man-weeks per trainee. The fee structure has been designed so that if it is universally paid, these programs should tend to be self-supporting, and therefore would not represent a net operational cost to the Government. Whether this goal will be reached under the contracted training activity with Northrop Services, Inc., must be seen.

VI. Forgivable loan grants [8]

At the present time in an effort to provide appropriate incentives to students, and improve on the relative numbers of trainees continuing full time into the environmental field, EPA has initiated a forgivable loan program. By this mechanism, loans of up to $6,800 per student per year will be forgiven if the student works for 2 years in an environmental control agency.

It remains to be seen what percentage of students supported in this manner will accrue to agencies, and the numbers could, of course, be quite high. However, the cost of each such success is equivalent to the loan forgiven, or up to $6,800.

Those students not meeting the work requirements must repay loans, and presumably the losses from failure to pay will be small.

VII. *Perspective*

Table I above indicates, for fellowships, short course training, traineeships, forgivable loans and university consortia, placement records, and costs which indicate the uniqueness of each of these five manpower development alternatives, and point to the prospect that university consortia can be developed into an effective source of agency employee candidates, together with the other types of programs.

Both fellowships and short course training are designed to retain and upgrade current agency employees. Fellowships have been successful in this in spite of competition for trained manpower from other organizations ready to pay significantly higher salaries than those available from State and municipal agencies.

Short course training is now operating under contract, and hopefully will tend to become self supporting. The number of individuals able to avail themselves of this training has been dropping, however, with indications only in the current year of improvement. Twenty-two hundred trainees are estimated for fiscal year 1977, following a low point attendance of 1,422 in fiscal year 1976, down from 3,216 in fiscal year 1972.[9]

Traineeships have, for a number of years, been the major source of newly trained Federal, State, and municipal agency employee candidates. These programs have not only been effective in placing properly trained people into the agencies, but have been to a significant degree, the justification for maintenance of required levels of faculty, facilities, and equipment within universities conducting these training programs. With the execution of anticipated cuts, notwithstanding the loan program, this justification may be disappearing, and the resources are, in many cases, being dropped by the universities, with the result that fewer students are enrolled in environmental and air pollution programs.

University consortia have been able to demonstrate a considerable degree of success. In doing this, the consortia have depended to a certain degree on the university resources justified by traineeship support. Therefore, consortia should

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not be seen as a substitute for traineeships, but rather as an additional and efficient means of helping the universities and the Environmental Protection Agency place more people into agencies.

VIII. Conclusion

Given the fact that the consortia has proven successful on a modest scale, it is reasonable to conclude that additional support to consortia throughout the country can be an effective complement to traineeships in offering agency internships and other advantages of multiuniversity, multidisciplinary student activities which have been shown to be successful.

For example, if university consortia funding were gradually raised to a level of five programs throughout the country by 1980 at $150,000 per year, the 1980 capability of university consortia to produce control agency employee candidates could be approaching a stability level of about 500 individuals graduating per year, with an expectation that on the order of 400 of these would actually be placed in environmental and air pollution positions, in both government and nongovernment jobs, at an annual cost in 1980 of $750,000, representing an average of not over $1,500 per trainee.

Availability of these numbers of competently trained graduates could be an important resource to meet agency personnel requirements resulting from attrition, at costs which appear most attractive.

REFERENCES

1. Internal files of the New England Consortium on Environmental Protection serve as the basis of several parts of this testimony. Items listed below in the bibliography are available. (Item 5.)

2. Conversation with Mr. Frederick Stinson, Office of Academic Training, Environmental Protection Agency, Durham, N.C., April 1977.

3. Conversation with Mr. R. E. Townsend, Chief, Office of Academic Training, Environmental Protection Agency, Durham, N.C., April 1976.

4. *Consortia Activities in Support of Agencies* by Theodore H. Rider, APCA No. 74–167, June 1974.

5. *Bibliography*—Materials developed by the New England Consortium on Environmental Protection, 1971 through 1976.

6. Conversation with Mr. Edgar Bernard, Environmental Protection Agency, region I, April 1975.

7. Report on Air Pollution Manpower Development, testimony prepared by Dr. Dade W. Moeller for submission to the Subcommittee on Environmental Pollution, U.S. Senate (Senator Edmund Muskie, chairman)—hearing of March 3, 1975.

8. Request for proposal, EPA fiscal year 1976, air pollution training grants program guidance, March 1976.

9. Data provided by Mr. Jean Schueneman of EPA on March 11, 1977 at meeting of the New England staff for coordinated air use management (NESCAUM).

VETERANS' ADMINISTRATION

WITNESS

DONALD H. SCHWAB, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. TRAXLER. We are pleased to welcome Mr. Donald Schwab, director of the National Legislative Service, Veterans of Foreign Wars.

You are going to be talking on the Veterans' Administration budget. We have your statement, feel free to proceed.

Mr. SCHWAB. Mr. Chairman and members of the subcommittee: Thank you for the privilege of presenting to this distinguished subcommittee the views of the Veterans of Foreign Wars of the United States with respect to the Veterans' Administration appropriation for the fiscal year 1978.

My name is Donald H. Schwab and my title is director of the National Legislative Service of the Veterans' of Foreign Wars of the United States.

The budget recommended for the Veterans' Administration by President Carter for the fiscal year 1978, commencing October 1, 1977, is $19.1 billion. We believe this amount understates the actual need by approximately $1.5 billion and, therefore, the budget should be $20.6 billion for the fiscal year 1978. This, since the President's budget recommends only a 4.9 percent cost-of-living increase in compensation payable to veterans with service-connected disabilities and dependency and indemnity compensation payable to the survivors such veterans, effective October 1, 1977.

An increase of 5.3 percent is recommended for those in receipt of pension for their non-service-connected disabilities and to their widows effective January 1, 1978. No provision is made for a cost-of-living increase for those pursuing educational programs administered by the Veterans' Administration. We believe a realistic cost-of-living increase, by the time legislation can be passed and enacted into law, would be 6 percent in all of the aforementioned benefits and would add approximately $229 million to the budget.

In addition, the President's budget contains a false savings of approximately $266 million in proposed negative legislation to eliminate existing benefits upon which the Congress has repeatedly refused to act, for example, the $250 Veterans' Administration burial allowance when the $255 social death benefit is paid. The shortfall in funding is accentuated by the absence of any money for new legislative initiatives, restructuring of the pension program (a study for which was mandated by Public Law 94–432), and inadequate amounts needed for medical care personnel, major and minor construction, research and training, all of which combined easily totals $1 billion.

As you may be aware, 21 years ago the Veterans' Administration budget accounted for slightly more than 7 percent of the national budget while last fiscal year this amount fell to 4.7 percent. Therefore, in the same time frame the Veterans' Administration budget was reduced 38 percent while the veteran population increased 39 percent. President Carter's recommendation would further decrease the Veterans' Administration share to 4.1 percent of a national budget of $458 billion.

That our recommendation of $20.6 billion is both realistic and restrained is borne out by the facts that the Senate Veterans' Affairs Committee has recommended a fiscal year 1978 budget of $20.5 billion, while the House Veterans' Affairs Committee has recommended $20.3 billion.

Since I prepared my testimony the chairman of the Senate Veterans' Affairs Committee, the Honorable Alan Cranston, has advised the chairman of the Budget Committee, the Honorable Edmund Muskie, that the budget should be $20.7 billion, rather than $20.5 billion as previously reported.

Mr. TRAXLER. Hasn't the budget committee added some $20 million?

Mr. SCHWAB. I think so. The House Budget Committee asked for $19.5 billion in their recommendation.

Mr. TRAXLER. Thank you.

Mr. SCHWAB. In dealing with a budget exceeding $20 billion these differences are indicative of a sincere effort on the part of all concerned to submit sound recommendations which can stand the test of close scrutiny.

And I list on the next page the 10 priority goals of the commander in chief of the Veterans of Foreign Wars of the United States, R. D. "Bulldog" Smith, addressing this budget. They are:

1. Increase rates for compensation and dependency and indemnity compensation;

2. Authorize dependency and indemnity compensation to widows and orphans of 100-percent service-connected disabled veterans, regardless of the cause of death;

3. Support restructuring of the pension program to benefit all recipients and not be more restrictive than present law;

4. Seek additional pension for our World War I comrades;

5. Provide highest quality medical care in all VA facilities;

6. Pursue correction of deficiencies cited in the "Report of Special Survey of Level of Quality of Patient Care at VA Hospitals and Clinics," dated July 31, 1974;

7. Seek enactment of permanent legislation to establish salary levels more attractive to VA health care personnel;

8. Seek adequate funding to permit VA hospitals and clinics to dispense acceptable emergency care and treatment on weekends, holidays and after normal duty hours;

9. Provide a national cemetery in every State;

10. Oppose elimination of the $250 Veterans' Administration burial allowance.

Given the foregoing, we of the VFW trust the spending target established by the First Concurrent Budget Resolution will be in line with the recommendation of those most conversant with what is needed for the Veterans' Administration to properly carry out the programs mandated by the Congress of the United States.

And the chairman of the House Veterans' Affairs Committee, the Honorable Ray Roberts, pointed out in the Congressional Record that the President's new liberal policy with regard to discharge review for those who deserted during the Vietnam conflict would add another $100 million to the budget, not to mention the increase needed by both DOD and the General Services Administration to process these cases.

Mr. TRAXLER. Thank you.

Mrs. Boggs?

Mrs. BOGGS. Thank you, Mr. Chairman.

I was reading the 10 resolutions that were passed by the vote of delegates at your convention, and I certainly agree with these resolutions.

I was especially interested in No. 8, to "Seek adequate funding to permit VA hospitals and clinics to dispense acceptable emergency care and treatment on weekends, holidays and after normal duty hours."

I suppose there is not a Member of Congress with a VA hospital or clinic in his or her district that doesn't have calls from constituents expressing tremendous concern in these emergency situations.

And I would hope that that could be effected.

Of course, I think some of your other resolutions would work toward that end, such as that which would seek to establish higher salary levels for VA health care personnel.

By improving the working environment of hospital personnel, we can hire more qualified personnel, and reduce the workloads.

Thank you very much for your testimony.

Mr. SCHWAB. Thank you, Mrs. Boggs.

Mr. TRAXLER. Thank you very much, Mr. Schwab.

We would like to think we have been friends with VFW.

Mr. SCHWAB. I know you were of tremendous help last year.

Mr. TRAXLER. Thank you.

Mrs. BOGGS. Excuse me, Mr. Chairman.

Mr. Schwab, I have a project I should ask you about. I would hope that you would consider the plight of the women who flew planes in World War II—the WASP's—because I am very hopeful of being able to include these women, not retroactively but for the future, in some of the veterans' benefits that others receive.

Mr. SCHWAB. We have no resolution addressing this issue at present.

However, in the past we have held that before the WASP's are granted veteran status, we think the women who served in the WAC on active duty from June 1942, until September of 1943, I understand there may be some 20,000 of them, should be granted veterans' status because they are not entitled to any veterans' benefits. And those who stayed on and retired were denied that period of service for longevity, pay and retirement purposes, and so forth. So, I think the bills would perhaps go hand in hand.

Mrs. BOGGS. Some of the WASP's did go into the other services, and we are talking about approximately 800 persons.

Mr. SCHWAB. Right.

Mrs. BOGGS. And I certainly agree with you about the Women's Army Corps, but, I would solicit your support for my WASP's.

Thank you.

Mr. SCHWAB. Thank you.

Mr. TRAXLER. Thank you, Mr. Schwab.

[Subsequent to the hearing Mr. Schwab submitted an additional statement which will be placed in the record at this point. The statefollows:]

VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENT OF DONALD H. SCHWAB

Mr. Chairman and members of the subcommittee, the present 524-bed VA hospital located in Portland, Oreg., has been in operation since 1928, nearly half a century, and has been found inadequate to meet present standards for efficient, economical, aid safe operation.

In view of the foregoing, and based upon the recommendation of the Administrator of Veterans' Affairs following a study by consultants with respect to an appropriate site for a new facility, President Gerald R. Ford made the decision: a new hospital to serve the Portland-Vancouver area should be constructed in the fiscal year 1978 on the Marquam Hill site in west Portland, adjacent to the University of Oregon Health Services Center. This replacement hospital will consist of 890 beds (310 beds for internal medicine, 280 for surgery, 120 for nursing home care, 90 for psychiatry, 50 for rehabilitation, and 40 for neurology), and cost $154.6 million of which $139.1 million has been requested in the fiscal year 1978 Veterans' Administration budget.

In the opinion of those whose only concern is the welfare of our veterans and that health care provided be second to none—the President, the Administrator of Veterans' Affairs, the director of the Portland VA hospital, the State board of higher education, the United Veterans Groups of Oregon (consisting of the American Legion, Disabled American Veterans, the Military Order of the Purple Heart, the United Spanish War Veterans, the Veterans of Foreign Wars, and the Veterans of World War I)—all agreed the new hospital site should be in the closest possible proximity to the University of Oregon Health Services Center, Marquam Hill. The new Administrator of Veterans' Affairs, Hon. Max Cleland, announced on April 8, 1977, his decision to build the new Portland, Oreg., veterans hospital on the Marquam Hill site of the existing VA hospital. However, some with selfish interests would locate the new hospital in a slum clearance area near the Emanuel Hospital, a facility recently overexpanded due to poor local coordination and planning and some 15 minutes by automobile from the University Hospital.

The voting delegates to the 77th National Convention of the Veterans of Foreign Wars of the United States, representing our more than 1.8 million members, passed resolution No. 667, entitled "VA Hospital Near University of Oregon," favoring a VA hospital site in the closest proximity to the University of Oregon Health Services Center and is appended hereto. Also attached are:

1. The rationale of the United Veterans Groups of Oregon for retaining the VA hospital adjacent to the university hospital;

2. Resolution passed by the State of Oregon, V.F.W., Council of Administration, January 23, 1977, addressing the issue;

3. Article entitled "State Board Backs Marquam Site For Hospital" as published in the Oregonian of March 26, 1977.

In conclusion, the Veterans of Foreign Wars of the United States strongly supports the Marquam Hill site for the construction of the replacement hospital in Portland, Oreg. Furthermore, we urge this subcommittee to recommend approval of the $139.1 million appropriation for the fiscal year 1978 of the total estimated cost of the new hospital of $154.6 million.

RESOLUTION No. 667

VA HOSPITAL NEAR UNIVERSITY OF OREGON

Whereas it has been demonstrated, and proven, that the closer a VA hospital is located to an established, accredited medical school, the greater will be the availability of highly qualified medical personnel and highly specialized procedures and facilities; now, therefore be it

Resolved, by the 77th National Convention of the Veterans of Foreign Wars of the United States, that we favor a VA hospital site in the closest proximity to the University of Oregon Health Sciences Center in Sam Jackson Park, Portland, Oreg.

RATIONALE OF THE UNITED VETERANS GROUPS OF OREGON FOR CONSTRUCTING THE VETERANS' ADMINISTRATION REPLACEMENT HOSPITAL IN PORTLAND, OREG., ADJACENT TO THE UNIVERSITY OF OREGON HEALTH SERVICES CENTER

1. Cancer therapy—all patients requiring X-ray therapy are treated by medical school faculty members. The VA hospital has no super-voltage equipment and all patients requiring this therapy are treated at the medical school which has a cobalt unit, a 2 million volt Vandegraph, and 25 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 24 hours a day, 7 days a week. There is an active neurosurgical service with all professional care given by medical school staff. The VA hospital's eye service is the major center for the Northwest: the medical school's specialized equipment, including Argon and ruby lasers, 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 VA hospital and the University of Oregon Medical School. They share personnel, tissue typing laboratory and have developed a statewide 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 the Minneapolis VA hospital for open heart surgical care.

5. Medical facility—the medical school is an important resource to the veterans hospital since it produces a level of patient care which is not obtainable by any other practical means. The close geographic relationship between the two institutions is absolutely essential since it allows personnel to move easily between the two institutions several times daily if necessary. Any planning which tends to remove the veterans hospital geographically from the medical school will alter the present relationship, will interfere with the level of expert staffing and teaching which now exists, and will ultimately lower the level of care which the veteran now enjoys.

RESOLUTION

Whereas, The Veterans of Foreign Wars, Department of Oregon, is deeply concerned that patients at the Veterans' Administration hospital in Portland should continue to receive the highest quality medical care, and

Whereas, It has been demonstrated, and proven, that the closer a Veterans' Administration hospital is located to an established, accredited medical school, the greater will be the availability of highly qualified medical personnel and highly specialized procedures and facilities, and

Whereas, The Veterans of Foreign Wars, Department of Oregon, in Convention assembled at Seaside, Oreg. in June, 1975, went on record by an adopted resolution as favoring a site in close proximity to the University of Oregon Health Services Center for the proposed new Veterans' Administration hospital facility in the Portland area, and

Whereas, A study completed by consultants at the request of the Veterans' Administration to assist in selection of a site for the new facility recommended the Marquam Hill site in West Portland adjacent to the University of Oregon Health Services Center, and

Whereas, The Veterans' Administration and President Ford have made a decision to build a new veterans hospital on the Marquam Hill site, and

Whereas, Continuing efforts by some public officials in opposition to the selected site could result in loss of this project at any site in the Portland area: Now therefore be it

Resolved, by the Veterans of Foreign Wars, Department of Oregon in Council session this 23rd Day of January, 1977, that we favor the Marquam Hill site as selected by the Veterans' Administration: and further be it

Resolved, That our views as expressed in this Resolution shall be made known to the Veterans' Administration Central Office in Washington, D.C., the Oregon Congressional Delegation, the Oregon State and local public officials and the general public.

This Resolution was unanimously adopted by the Council of Administration of the Veterans of Foreign Wars, Department of Oregon at its regular midwinter session held in Portland, Oreg. on January 23, 1977.

State board backs Marquam site for hospital

By CLAY EALS
Correspondent, The Oregonian

EUGENE — Marquam Hill is favored by the Oregon State Board of Higher Education as the replacement site of the Portland Veterans Administration Hospital "in the continuing interest of excellence in both medical education and veteran health care in Oregon."

The board approved a resolution supporting the Marquam Hill site Friday at an all-day meeting at the University of Oregon. The resolution noted that the removal of the hospital from the "immediate environs" of the University of Oregon Health Sciences Center Medical School would have "deleterious effects" on the center.

Two board members, Philip McLaurin and Loren Wyss, voted against the resolution.

McLaurin said the "long-term benefits to Portland and the state of Oregon would be better served" by placing the hospital on a site proposed near Emanuel Hospital in Northeast Portland.

"I really can't see the difference between a facility that is five minutes away and one which is 30 minutes away" from the medical school, McLaurin said.

Wyss said the site placement issue "goes far beyond the educational one," and he said because Marquam Hill "bears certain connotations," he would not favor it as the hospital site.

The existing 527-bed hospital, which has served as a major regional facility for the health care of veterans from Oregon and nearby states since 1928, has been judged as not being abie to meet present standards for efficient, economical and safe operation.

The Veterans Administration has announced its intention to replace the facility with a new one, and earlier this year, former President Ford approved Marquam Hill as the replacement site.

The hospital has had a relationship with the Health Sciences Center for about 50 years, and the hospital's federally supported physician staff has full faculty appointments in the center's medical school.

The hospital provides educational facilities and teaching patients for a third to a half of the students, interns and residents of the medical school.

Donald Kassebaum, vice president for hospital affairs at the Health Sciences Center, said he favored the Marquam Hill site because it would allow a close relationship among the "critical mass of overlapping educators" at the hospital and medical school.

A "physical separation" of the hospital and the school would be "an impediment" to medical education, he added.

"The loss of the veterans hospital resources would be a problem impossible to solve by redistributing undergraduate and graduate students at community hospitals," Kassebaum said.

Because of rising costs, the fast pace of patient care and the short length of stay by patients, private community hospitals would not allow for quality medical education, he said.

Two other groups are expected to take action on the hospital matter next week.

The board of directors meeting of the Northwest Oregon Health Health Systems to make known the health planning agency's advice on the Portland-area veterans hospital, will be at 5:30 p.m. and not noon, Wednesday, March 30, as erronously reported in some editions of The Oregonian Friday.

The 51-member board, rspresenting the health industry, citizen consumers and governmental bodies in the six Northwest Oregon counties, will have before it recommendations of its staff, a project review committee and a subcommittee which had conducted a public hearing, all favoring phasing out of the VA Hospital and more use of community facilities.

The board will meet in the Blue Cross Auditorium, 100 SW Market St.

[redacted] Association

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WITNESS

CHARLES JORDAN, COMMISSIONER OF PUBLIC SAFETY OF THE CITY OF PORTLAND, OREG.

Mr. TRAXLER. We want to welcome Mr. Charles Jordan, Commissioner of Public Safety of Portland, Oreg.

Mr. JORDAN. Thank you.

Mr. TRAXLER. We have some familiarity with your issue. We have been kept apprised of the situation.

We have a copy of your statement and would be very happy to have your comments.

Mr. JORDAN. Thank you very much.

My name is Charles Jordan. I am commissioner of public safety of the city of Portland, one of five coequal commissioners elected from the population at large. I am one of five members of the central legislative body of the city, and I also administer several city bureaus.

There is no question in my mind that Portland's citizens, including its significant veterans population, earnestly desire that the new hospital complex, or a significant portion of it, be built in Portland. All Portland's city commissioners, as well, would like to see the hospital in our community.

But where in Portland should it be built? It is my recommendation that the hospital be built at the location called the Emanuel Site. I recommend this, not as a medical expert, though I have studied the medical aspects of this decision, and not as a veteran, although I am one, but as an elected official responsible for Portland's welfare.

I will explain my reasons for this stand in a moment. But let me start out by emphasizing one thing. There is no question that the primary consideration in this siting decision should be the care of the veteran patient. The ultimate choice of location must guarantee the veteran the finest quality medical care available.

I am opposed to any siting choice which would sacrifice the veteran patient to any other ideal, whether it be urban renewal, ease of traffic access, or lower cost.

It is because I believe this that I can confidently endorse the Emanual Site. All the evidence I have seen convinces me that the quality of care would be second to none if the Emanuel Site is chosen.

Here I must refer to the evidence of those with more expertise than I. The consulting firm which completed the original site comparison study, has this to say about physical separation of the medical school and the Emanuel Site:

> The Emanuel Site is approximately 12 minutes by car from the university hospital . . . The relationship between the VA and the health sciences center would be less convenient but not broken. The Emanuel Site does allow the development of sharing agreements with a community provider and could promote expanded educational activities between that provider and the university.

Not only would VA/medical school affiliation be continued if Emanuel were chosen, but the quality of care would not be affected by close association of the facility with Emanuel. A report on the medical facilities at Emanuel prepared by the hospital's staff addresses this point as follows:

Of the hospital surgical staff, some 30 general surgeons, 15 urologists, 15 plastic surgeons, and 30 orthopedic surgeons have clinical teaching appointments at the medical school . . . It is paramount to understand that there is a considerable amount of physician cross-appointments among all the area's teaching hospitals . . . providing equal quality care in all the teaching facilities.

Finally, I should emphasize that the proximity of a major hospital is a crucial factor in attracting strong staff to the veterans hospital. The consultants noted that the proximity of the Emanuel Hospital would be instrumental in attracting strong staff members to the veterans hospital, just as the proximity of the medical school attracts strong staff to the present VA facility.

If there was any evidence that the veteran patient would receive the highest quality of care only if the new facility is built on Marquam Hill, I would change my present position, and recommend to you that site.

Now, let me speak as a city commissioner, as an elected official responsible for the well-being of the city of Portland. From the perspective of the local impact, I can state, unequivocally, that locating the complex at Emanuel would be a blessing—economic, social, environmental—to the community. I can also assure you that locating the complex on Marquam Hill would be an economic, social and environmental mistake.

Let me tell you why. I will start with the bad news first, namely, the negative effects upon the neighborhoods on Marquam Hill, if that site happens to be chosen.

Marquam Hill is a secluded, hilly, park-like area. It is served by narrow, winding roads. It is away from the metropolitan core. In order to preserve the unique character of the many neighborhoods in this area, the city's Bureau of Planning has strongly recommended a land-use and streets policy which would reduce the traffic levels already excessive, on Marquam Hill.

There are currently 24,365 vehicle trips per day in the Marquam area. Many of these vehicles, forced off the major routes by chronic congestion and traffic jams, wind their way through adjacent residential streets.

Normal residential development on Marquam Hill can be expected to increase the level of vehicle trips by 20 percent over current volumes.

Clearly, planning policy for the area ought to be directed toward getting people to rely on mass transit for access to the area. Planning policy rules out any capital improvement program which would widen city streets on Marquam Hill or would connect local streets to other street systems. We want to keep vehicles away, not make access easier.

The presence of the veterans hospital on Marquam Hill would confound this policy. A new major hospital, calculated to generate 1,300 new vehicle trips per day, or 5.3 percent more than the current volume, would make it extremely difficult, if not impossible, for the city to meet its planning goals for Marquam Hill.

The hospital will, in fact, generate more traffic than the figure indicates. The presence of the hospital would no doubt accelerate the rate of residential growth on Marquam Hill. Further, as a new and modern facility, it will act as a magnet, drawing more visitors, professional or nonprofessional, than a traditional analysis would show.

This puts the city in a dilemma. If we do nothing to improve traffic access to Marquam Hill, congestion will worsen, and more and more vehicles will be pushed onto residential streets. Yet if we improve access by roadbuilding projects, we risk destroying the secluded character of the area, both through the projects themselves, and by making traffic access that much easier.

Under either alternative, Marquam Hill neighborhoods will suffer environmentally, through increased noise and air pollution levels. The features which make the neighborhoods attractive will be gradually eroded. Marquam Hill might end up as another urban frontier, a barrier between city and suburb.

Further, the costs of roadbuilding projects would almost certainly have to be extracted from the city's general fund. And the costs are not minor.

One alternative which the city has explored is in the $1 million to $5 million range. Another alternative could reach $2 million and would require acquisition of park land besides.

In sum, locating the hospital on Marquam Hill would make a shambles of city planning policy for that area. It would worsen the quality of surrounding neighborhoods. It could place a financial burden on the city's extremely limited funds.

By contrast, choosing Emanuel site would have significant benefits for the Emanuel community and for Portland at large. If we can show, as I believe I have, that the quality of medical care would not be impaired by locating the complex at Emanuel, then it only makes sense to choose a site which would further other mandated Federal and city objectives.

The veterans hospital will not stand by itself. It will have Portland's communities and commercial area as its neighbor. The hospital will be a very good neighbor indeed at the Emanuel site.

First, the hospital will have only a minor impact on traffic volumes in the surrounding residential neighborhoods. Traffic access to the site is already good, and the means exist for improving it further. Traffic volumes are, in fact, expected to decline in the Emanuel area by 1990.

Second, the presence of the hospital would signify the Federal Government's continuing commitment to redevelop the area. The evidence of prior Federal commitment to this goal, in dollars, is substantial.

If the VA hospital were located at Emanuel, the significance of that decision would not be lost on the Portland community.

Third, the impact of the new hospital in the neighborhoods and commercial centers surrounding the Emanuel campus would be immensely beneficial. There would be new jobs in the community, new restaurants and shops, and an improved economic climate which would attract additional commerce and industry. There would be intangible, noneconomic benefits for the community as a whole.

Quality of care, city planning, community development—on all these points, the Emanuel site emerges as the most logical choice. This administration has a unique opportunity to further several worthwhile goals at once, by selecting Emanuel as the site of the new Portland VA Hospital.

Mr. TRAXLER. I want to thank you very much, Mr. Jordan, for your fine presentation.

The committee finds itself in a rather unusual situation. It is not often that we act as an arbitrator.

Mr. JORDAN. Well, the city was not contacted initially when the committee came in. It should have been part of the planning process for anything of that magnitude. The city should have been contacted.

Mr. TRAXLER. I am interested in your comments relative to streets and highways. Doesn't the present facility place a burden on existing streets?

Mr. JORDAN. Quite a burden. The present hospital is not in a very good neighborhood. It is a difficult area.

Mr. TRAXLER. I suppose we will be expected to remain silent on the question in our report, in which case the Veterans' Administration will make the decision.

Or, in the alternative, the committee would be expected to make recommendations in its report language. To assist us in that endeavor we have several questions for witnesses in connection with this matter.

Let me ask them to you, if you don't have an answer, feel free to say you are not prepared.

Mr. JORDAN. If they are medical in nature, I have the hospital people here.

Mr. TRAXLER. You may want to call upon them in some cases. The site that you are recommending to us is next to the Emanuel Hospital in the urban renewal center; is that correct?

Mr. JORDAN. That is correct.

Mr. TRAXLER. And what was originally proposed in your master plan for this site?

Mr. JORDAN. Mr. Larson, the President, will have to address that.

Mr. TRAXLER. Do you recall what the city master plan called for at that site?

Mr. JORDAN. It wouldn't be the city's. It would be their plan.

Mr. LARSON. My name is Roger Larson, president of the VA hospital. I was not in the community at the time. But the original proposal related to medical complexes and housing. Since that time the area has been somewhat expanded by the Portland Development Commission and housing is planned on a block to the southeast of it.

This came about during the discussions we had with the VA system as a possible location for the VA hospital.

Using our property or the property that is there now.

Mr. TRAXLER. What kind of housing is programed for that area?

Mr. LARSON. Subsidized housing, primarily aged. It is something like 75 percent aged to 25 percent other housing.

Mr. TRAXLER. Thank you.

Does the present Emanuel Hospital have security problems and, if the new VA facility is constructed there, would there have to be special lighting and guards that may not be present right now?

Mr. JORDAN. Not to my knowledge. We have no plans for special lighting.

It is already well lighted. Roger, do you have any plans for special guards?

Mr. LARSON. We have a security force similar to most of the hospitals in the community area. But the requirements are not that much different between Marquam Hill and the Emanuel community in terms of the needs for security.

Mr. TRAXLER. Thank you very much.

The present veterans hospitals has been on Marquam Hill since 1925. Veterans and their families are accustomed to going to that location.

Why, in two sentences, ought we not to locate the new facility in that vicinity.

Mr. JORDAN. Because they have been going there for a long time, doesn't necessarily mean it is the most accessible site. There is one busline going to the Marquam Hill site. People cannot traverse that hill during certain days in the winter months. It is out of the question that the site is superior in terms of accessibility.

Mr. TRAXLER. The Emanuel site is too far removed from the center to maintain the same quality of care, and the driving times are 14 to 16 minutes. It is the position of the VA that this will detract from the quality of care and their ability to attract top quality staff.

How would you respond to that?

Mr. JORDAN. I can respond like this. In a case like this, I would yield to the consultant who was hired to do the work. It was not their opinion that it would detract from the association. They didn't find any difficulties at all. Those were the consultants who were hired to do the initial study. I think this has come up subsequent to that study. And there has been a lot of discussion on that.

Based on their original findings, it would in no way impair the quality of care.

Roger, would you have anything to add to that?

Mr. TRAXLER. Do you want to respond to the quality of care issue?

Mr. LARSON. We are providing that for the record.

Mr. TRAXLER. All right, it has been our observation that the Veterans' Administration over the last 14 to 16 new hospitals has sought to locate them next to a university teaching facility. This would create an exception to that general proposition. You might want to address yourself to it.

The Marquam site is consistent with that policy and the Veterans' Administration longstanding practice.

We would appreciate tomorrow some of your most compelling arguments as to why we ought to abandon that policy and practice in this instance.

Mr. JORDAN. I think we have to do things in an exceptional manner. I think tradition has been part of the downfall for many cities. When you find a city that is vital, they have had to do business not as usual, and that is what we are trying to do in Portland.

We don't want to sacrifice the quality of care, but any time we can insure the same quality of care and still achieve some of the mandated issues, when we want to invest our money we go elsewhere.

It is a difficult question. I have to agree with you on that.

But cities will have to do business not as usual in order to save their population and to make their cities more livable, and we are doing that in Portland.

Mr. TRAXLER. Thank you very much. We look forward to your comments tomorrow.

Mr. JORDAN. Thank you very much, Mr. Chairman.

NASA

WITNESS

HON. JIM LLOYD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. TRAXLER. We are pleased to welcome our distinguished colleague, Congressman Jim Lloyd from the State of California. Welcome, Jim.

Mr. LLOYD. Thank you very much, Mr. Chairman, I appreciate it.

I would like to take this opportunity to thank the members of this committee for the opportunity to be with them. I appreciate their attention to the problems that are attendant to the NASA aeronautics program.

And I would also like to take this opportunity to thank the committee for their attention to the added moneys for the 40-by-80 wind tunnel modification last year. I think that I would like to bring out very quickly some points that we have.

First of all, our subcommittee considers itself an integral function of NASA. However, as you are aware, space sciences is under the Honorable Don Fuqua's subcommittee. I also serve on that subcommittee.

I think the fiscal 1978 program represents a real increase in interest on the part of the Carter administration. We feel that this program has been supported and I think in the light of some other decisions by the administration we feel very gratified with the support that we have had.

This is particularly important when we consider that our world leadership in aviation actually means billions of dollars each year going to the balance of trade, as well as the millions of jobs that it creates in this country.

Needless to say, the United States has been a leader in air frame construction, in engine development, and we would like, of course, to continue that leadership position, not because it's important to be first, but because it's important to the world that someone produce a product that is really the best. The United States has done that.

I think that one point that needs to be made at this point in the aviation industry is that the moneys that we asked for with regard to supersonic technology were not involved in the building of an SST, but were only asked for ongoing studies of supersonic application.

The answer is, at the present moment, that there is a strong commitment on the part of this Congress that we not go into the building of a supersonic transport, but because we don't go into it does not mean that we ought not to stay abreast of the developments of supersonic transportation.

It is my considered opinion, as a man who has dealt in aviation for over 35 years, that the current state of the art does provide for a positive economic involvement in supersonic transport development. As evidence, the Concorde, economically is not a feasible program.

The other ancillary things, national pride, research and development into a state of the art—certainly those have values. And I am sure these countries have traded those values.

To them, it's now worth it. But that's not the involvement we are talking about. We are talking about basic research in supersonic flight areas, and in that amount, there is $15 million.

This is a reasonable amount for continued research. By the way, this research in supersonic involvement, supersonic modes has been going on certainly beyond 1946, when I was involved as a test pilot with what was then Ames Aeronautical Laboratory in that area.

So it's not something that's new. It's something that has been ongoing for many years.

The bill also contains some modest increases. We have $1 million for superplastic forming and diffusion bonding of metals. This makes a smoother, better, tighter, stronger air frame.

We also have $2 million for independent university research, just pure research. That's like when some guy decides—and I used the analogy in talking to some staff members today, maybe it's a good one—that one of the problems we have is, of course, the barrier of air itself.

If we could bleed that barrier off, maybe if someone decides he wants to drill holes through a wing, fly the plane and have a blocking thing and then unblock it to see if the air transferring from the high-pressure area to the low-pressure area would somehow improve the flow of the wing going through the air, that would be that kind of a situation.

I might add that in all probability that would not work. But it's that kind of research that these moneys are applied to. They are very necessary. They are the reaching out of people involved in the aeronautical industry to try to find new and better ways to go.

We also have $2.5 million for a program in agricultural aircraft research. I think this is important because, again, the rest of the world has finally decided that delivery of these agents by aircraft needs an aircraft which is totally dedicated to that specific application. Unfortunately, we in the business here have not done much of that.

We have tended to take already existing air frames and modify them and say, "Well, they'll do." Now, what we need to do is to go forward and build an aircraft specifically committed to agricultural aircraft applications.

That concludes my remarks and I thank the committee and the chairman for the opportunity to appear today.

Mrs. Boggs. We are very grateful to you, Mr. Lloyd, for appearing, and for your expert and very practical testimony. The authorization bill, I understand, is pending in the Senate, having passed the House.

Mr. Lloyd. Yes.

Mrs. Boggs. I was very interested in your comments about air frames, and the kinds of materials that you are perfecting with ongoing research. Does this have anything to do with perhaps making the planes more energy efficient?

Mr. Lloyd. Indeed. If for no other reason than the weight factors. We have changed from steel spars and aluminum covered wings, to other materials, such as plastic materials, for instance. The honeycomb materials have the same strength but provide much less density and therefore, lighter weight. Of course the energy driving an air frame, and its efficient use depends on the aerodynamics qualities.

Also, it becomes a function of energy and mass. If we could reduce the weight, we could reduce the energy needed to keep that specific air frame airborne.

For instance, the wing of the F–15, has all been made of the honeycomb material. And we are making composites of materials. We laminate. We don't just take one piece of material and go forward with that.

We do all kinds of things, many other things have come out of this. We used to machine all of our metals, but now we are using other methods of forming this. And that's what this superplastic forming is all about.

We can form the shape without having to take some modes which take infinitely longer and are much more costly, to work these things out, with these terms.

We really are moving down the pike, as it were, in the areas of efficiency in aircraft. I don't think—in my opinion, engine development and metallurgy as it exists today does not really bring us out really beyond, in an efficient manner, beyond about 1.6 times the speed of sound.

After you get beyond that, it takes brute force to make it go, it generates heat problems which require very sophisticated metals, which do not make this as practical in economics for this type of development.

Mrs. Boggs. Thank you so much. I see our chairman has returned.

Mr. Traxler. Thank you, Jim. We appreciate your strong support for the NASA projects.

Mr. Lloyd. Thank you, very much, air.

Portland/Vancouver VA Hospitals

WITNESSES

DEAN COLE, CHAIRMAN, CLARK COUNTY COMMISSIONERS, STATE OF WASHINGTON

BILL MEREDIETH, SERVICE OFFICER, LEGION POST NO. 14 OF THE AMERICAN LEGION

LOUIS ZELLERS, DEAN OF STUDENTS, CLARK COLLEGE

Mr. Traxler. We are pleased to welcome Mr. Dean Cole, who is the Chairman of the Clark County Commissioners, State of Washington. He is accompanied by Mr. Bill Meredieth, servive officer of Legion Post 14 of the American Legion; and Mr. Louis Zellers, dean of students at Clark College.

Would you gentlemen please come forward?

We are happy to have your testimony.

Mr. Cole. Mr. Chairman, we are pleased to be here and to give our testimony. We feel this is an important decision by your committee and we have certainly been in the process of reviewing the studies that have been conducted and feel that we would like to have some input to the Appropriations Committee.

I have a few statements that I would like to make and then turn it over to Lou Zellers, the executive dean of Clark College for a few comments on the existing Barnes Hospital, and the relationship that they have had with the hospital and the college over the years; and then Mr. Bill Meredieth, who is the service office of the American Legion, Post 14, who is a veteran and can speak from the standpoint of a person who has actually been through the system itself.

As I said, Mr. Chairman, we have been involved, by "we," the Clark County Commissioners, I am chairman of the Board of the Clark County Commissioners, and the city council, and the city of Portland Commissioners since January of 1976.

We have reviewed the hospital development plans for the Portland metropolitan area. 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 at Emanuel Hospital in Portland, Oreg., and an acute sub-care facility located also at Barnes Hospital in Vancouver, Wash. We believe that such an arrangement would best serve the veterans and the overall local community.

Our recommendations address five points which we feel are essential in the decision.

First is the quality of care for veterans. As local elected officials, we realize that the quality of care is the most important factor in health care services. A Veterans' hospital erected adjacent to a medical school does not necessarily assure a better quality of care.

A close association of a teaching and nonteaching facility is essential in the delivery of quality care. Emanuel Hospital currently has a close association with the University of Oregon Medical School, and the hospitals in Vancouver, Wash. have a close affiliation with both the University of Washington and University of Oregon Medical Schools as well. The quality of these services has never been questioned. The quality of care at Barnes Hospital is really above reproach.

Second is the veterans relationship between teaching and nonteaching facilities. Based upon a thorough understanding of the services offered at the Barnes Hospital site, we dispute the claim that the VA hospital must be less than 15 minutes away from a medical school. This is a fundamental error in the study's assumption. The geographical relationship of the medical schools and the VA hospitals in Oklahoma, New York, Kansas, Illinois, California and our own States of Oregon and Washington thoroughly demonstrate this contention in the VA reassessment report as inaccurate and misleading.

Third is the fiscal responsibility. As fiscally responsible representatives of our local jurisdictions, we are concerned about providing governmental services in the most cost-effective manner.

The final cost evaluation figures by the Government Accounting Office are not available at this time. However, it should be noted that the reassessment report cost figures on pages 19 and 20 indicate that a combination of the Vancouver, Wash. site as a sub-care facility and the Emanuel site as an acute care facility represents the most cost effective solution. This cost is $134 million versus a cost ranging from $151 to $54 million to provide these services at a single site on Marquam Hill.

Issue must be taken with the study which indicates operating costs of a single hospital unit of 770 hospital beds, would be lower than the dual site facility. Our staff review of health care economic studies can find no facts which claim that hospitals larger than 700 beds are more efficient than those smaller than 700 beds. In fact, most studies indicate that hospitals in the 300 bed range are more efficient.

We agree with the VA that operating costs should play a substantial role in the decision on the number of hospital units. Health care eco-

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nomic studies that have been performed in the United States support our contention that the two hospital concept is a more efficient configuration for health services, and the public will receive cost savings benefits from this delivery system.

Fourth is the accessibility of services. The Barnes Hospital site location is conveniently located with the proposed I–205 and the existing I–5 bridge across the Columbia River providing the Barnes Hospital site with 15 minute accessibiilty from Clark County and substantial portions of the Portland Metropolitan area.

Fifth is the community support. Community support is always an asset when trying to deliver any type of governmental service. It is important to note that hospital development at the Barnes and Emanuel Hospital sites is welcomed by the local jurisdictions and the community at large as evidenced by their support at the congressional hearing for the Barnes and Emanuel Hospital sites.

The Barnes Hospital has been a welcome neighbor in Clark County for over 30 years. Neighborhood groups surrounding the Emanuel Hospital site welcome the addition of a veterans hospital at that location. Conversely, it is our understanding that the neighborhoods surrounding the Marquam Hill site are very concerned about the impact of the location and construction of a major new hospital on Marquam Hill.

In conclusion, we find no substantial information in the reassessment report of the Veterans' Administration to support the development of a consolidated medical and health facility on the Marquam Hill site.

However, we find grassroots support for a two-hospital VA health delivery system in the metropolitan area. With one hospital located at the Emanuel site and the other at the Barnes Hospital site. We believe that this development option is the most responsible solution in assuring the highest possible quality of care at the most economical cost for the veterans in our area.

Mr. Chairman, this is the statement that was signed by the city of Portland Commissioners, the majority of the Commission; the board of the Clark County Commissioners; and the council and the mayor of the city of Vancouver.

So with that I would like to ask Mr. Zellers if he would like to make some comments.

Mr. TRAXLER. Why don't we finish your statements and then we'll come back with our questions?

Mr. Zellers?

Mr. ZELLERS. Thank you, Mr. Chairman.

Honorable Chairman Boland, Members of the House of Representatives, my name is Louis E. Zellers, the executive dean of Clark College—a community college in Vancouver, Wash., providing academic, vocational, and technical educational services to more than 8,000 students in southwest Washington.

Barnes Veterans' Administration Hospital in Vancouver, Wash., is adjacent to the Clark College campus. Because both are service institutions, Clark College and the hospital have developed a cordial and mutually beneficial relationship for both the students of the college and the patients at the hospital. Specifically, 52 of our dental hygiene students presently take 30 percent of their clinical training in the Vet-

erans Hospital, serving approximately 735 patients each year by providing expanded care.

Our professional staff are proud of the fact that our graduates are outstanding, not only didactically, but also in the highly developed clinical skills. This high level of skill is achieved in part through the opportunity provided by caring for patients with more difficult health problems, such as the patients at Barnes Hospital. These patients make it possible for the students to practice a wider range of difficult procedures thus enabling them to develop their skills.

Another indication of the impact on the students of Clark College lies in the demand for training of personnel for this expanded health care field. Each year the college normally receives four to five qualified applicants for each one we are able to admit to the dental hygiene program because of limited college facilities and financial resources. Removing the veterans hospital would require that Clark College expand its facilities by 50 percent at an excessive cost to the taxpayers of Washington State and to the students of the college.

Removing the veterans hospital from this site would create serious problems, not only for the college instructional programs, but also for the veterans hospital by hindering and perhaps precluding initiating preventative dental care for the patients, except at considerable cost to the Veterans Administration for substitute dental services.

Also, for several years, Clark College and the Veterans Administration Hospital have had a cooperative arrangement whereby students enrolled in the registered nursing program have gained essential clinical experience in both medical and surgical areas and the patients at the Veterans Administration Hospital have received necessary nursing care from the students. You could be assured, that in the event the Veterans Administration decides to provide a modern new facility in Vancouver, Wash., Clark College would be very interested in expanding this cooperative arrangement of our nursing students gaining clinical experience in such a facility.

On behalf of the Clark College Board of Trustees, I wish to express support for the retention of the Veterans Administration Hospital in Vancouver, Wash.

Thank you.

Mr. TRAXLER. We thank you, Dean Zellers, for that statement.

And may we hear from Mr. Meredieth, please?

Mr. MEREDIETH. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, my name is William R. Meredieth. I am the service officer for American Legion Post 14, located in Vancouver, Wash. The same city where Barnes VA Hospital is located.

I'm here today representing our post, the veterans of Vancouver, Clark County, and the State of Washington. I have personal knowledge of the fine service rendered by Barnes Hospital. I have been hospitalized in this fine facility and have had seven operations there.

Barnes Hospital is a real asset to our community. It possesses the characteristics our veterans expect. It is ideally located in a pastoral setting which personalizes the service to our veterans and to their families and it is readily accessible from I–5.

We are proud of Barnes Hospital as evidenced by the 45,000 volunteer hours spent with our hospitalized veterans. Their medical care is

of deep concern to all of us. Last year 4,389 patients were admitted for hospital care. An additional 35,587 were given outpatient treatment.

We're No. 1 in the whole Nation. Dr. Chase, the chief of medicine of the Veterans' Administration here in Washington, D.C., gave a keynote speech last year at our award, and commended us very highly on our operations there. He said we had a wonderful hospital and were doing a fine job. The medical care here is a real concern for all of us.

Our veterans need an environment where they can keep their feet on the ground, literally; where they are permitted to amble about the hospital grounds while visiting their families and friends. They need the kind of facility that lends itself to a commonsense approach to reality; a place where they can see the Sun; a natural setting in which they can enjoy nature as it was intended; and a place that provides the personal interest for those needing intensive and extensive care.

Perhaps these are the most important social benefits to be gained from a good medical facility; hardly measurable, but indeed, important.

Now is the time to serve those who serve us; a time to make decisions that will last into the future; a time when two new VA hospitals are needed.

Mr. Chairman, members of the committee, I want to thank you very much for allowing me to make my feelings known. I thank you.

Mr. TRAXLER. Mrs. Boggs, do you have any questions or comments?

Mrs. BOGGS. I had the opportunity of driving around the grounds last fall. And it certainly is as beautiful as you describe.

We are very pleased to have all of you here. And I was quite interested in the cooperative effort of the nursing school and the Barnes Veterans Hospital, at Clark College. This is apparently a very happy arrangement in both directions.

I think it certainly gives the student nurses the finest training that they could have. And through this type of teaching for them, it upgrades the services of everybody else in the hospital.

The fact that you had 45,000 volunteer hours attests to the excellence of the arrangements there because they must not have only been welcomed but put to some constructive use.

What areas do the volunteers work in?

Mr. MEREDIETH. We do everything. I had 1,500 hours myself last year. We do everything. We have therapists who write letters for the patients. We have got volunteers who take buses and take some of the patients outside, to get their minds off their ailments.

We have bingo, and also the Elks lodge. We have hospital parties, we have ward parties, we have Christmas parties for the veterans. The veterans are given the choice of presents to send home to their loved ones. And we decorate the wards. And it's a very, very, very rewarding experience, what we get out of it.

I really feel that I'm devoted, although I'm an ill man, I'm a disabled veteran. But I spend hours, sometimes 48 hours a week in the hospital there.

Mrs. BOGGS. Surely someone who has had seven operations knows what's needed for the volunteers.

Mr. MEREDITH. Yes. And I have patients that come from Oregon who say that no way would they go across the bridge. Some in Boise, Idaho, say no way would they go there. And that's the way it has been.

Mrs. BOGGS. Thank you.

Mr. COLE. We have a place for people, which is a booklet that has been put out by Clark County, in which there is a 648-acre park which is in the valley of the city of Vancouver. You can see this military park here that's going to be built into a place with people, for jogging and so forth. You can see the hospital in the upper left-hand corner which is the Veterans' Administration hospital, if you want to look at that.

But the theme of this whole park-like setting is to incorporate both the hospitals, the VA hospital site and the library and the college's there and the high school and other government, and the park and recreation facility for the cities there, when we get this created about, the commitment is there.

So we think that this is unique to this area and to remove the hospital that's already there—I think would be a real disservice to those people, future veterans who will be coming there for care.

I think as the veterans and the aged group, or the wife of the veteran, you're going to see more long-term type care needed for veterans.

I think that Barnes Hospital can certainly serve a role in this in the future.

The park committee that's worked on this has a resolution which they have adopted supporting the Barnes Hospital, that the Barnes Hospital be retained in this 640-acre complex as part of the overall place for people. Certainly veterans are people.

Mr. TRAXLER. We want to thank you, Mr. Cole.

We want to thank you three gentlemen for coming this distance to communicate your views to us. I know it will be of real assistance to this subcommittee in its recommendations to the full committee.

I have several questions I would like to ask you. We have had witnesses in support of the various hospital operations. And we will have several more tomorrow. To the best of your ability, if you can respond, we would appreciate it. If you don't have an answer, please tell us that.

One of the things, and I appreciate your concern for it is the economics. Certainly this subcommittee over the years has demonstrated a concern for the taxpayer dollar. You touched upon cost savings in your testimony. And it's the VA's position if I recall from their testimony some several weeks ago that a two-facility establishment would perhaps intially be less costly from the construction standpoint, but their operating expenses would be increased over what a single facility would cost because of transportation and the necessity of doubling certain administrative positions.

How would you respond to that in speaking for the two sites?

Mr. COLE. We would need more people, definitely. I think that certainly the figures that the GAO report came up with were very, very rough. I think they would admit that they were very rough. Of course, we used some of the figures that they came up with in our testimony.

But I think it was kind of surprising to me that they picked 100 additional staff for the operating of the two facilities to come up with the $1.6 million difference of the two sites versus the one site.

So I think that the figures were very rough. And I think they would even admit that. I think we do need a more in-depth analysis of the cost.

Mr. TRAXLER. One of the things that the VA told us is that their patients in the extended care facilities tend to be more ill than in the private sector, and that they like their care facility located as closely as possible to the hospital, so that transportation will not be a problem and they can move them quickly to the hospital for important emergency care, when necessary.

If that were true, and I don't know that it necessarily is, is an extended care facility in Vancouver in the best interest of the veterans' medical care?

Mr. COLE. I think there is really a tradeoff there in terms of those who need some medical attention for transportation purposes as opposed to those who probably need the environment that the Barnes Hospital site offers. That is certainly a consideration in the quality or treatment of care for veterans.

I would be the first to say that certainly a hospital facility next door would be more convenient for those who may need medical care and treatment.

But I think there are tradeoffs in all of this. And for that particular person it would probably be best to have it as close as possible. But for the guy who is convalescing after surgery who is in an environment like that of Barnes Hospital, it certainly has its merits in terms of the campus-like environment that it has to offer as opposed to a superstructure, with so many people in a facility. So I think you have to weigh those tradeoffs.

Mr. TRAXLER. What is the present average travel time from Vancouver to the present VA hospital in Portland?

Mr. COLE. I think it is approximately 15 minutes. It takes that long to get from Barnes Hospital to the present hospital in Portland.

Mr. ZELLERS. I read the testimony in this regard that was given previously and there was not one person who said that the Barnes Hospital did not provide a special type of service to the convalescent type of veterans and that the care was excellent. I think that's significant because it's the consultants with the VA that, in my opinion, have made these economic arguments. I think possibly they have ignored the people, the delivery and quality of the services, and whether or not the veterans like it.

That is significant, and I think it's true from an economic basis, being in the public sector also, I think we have to be concerned with that as well as you. I would urge that you take a look at the people who are serving them in this instance.

Mr. TRAXLER. We want to thank you very much for your informative and helpful comments and testimony.

Mr. COLE. Thank you very much, Mr. Chairman.

VETERANS' ADMINISTRATION

Mr. BOLAND. The committee has received a statement from Mr. Fred Elsasser of Portland, Oreg. regarding the location of the Veterans' Administration hospital in Portland, Oreg.

The statement will be placed in the record at this point.
[The statement follows:]

STATEMENT OF FRED ELSASSER OF PORTLAND, OREGON

PORTLAND, OREG.

MR. EDWARD P. BOLAND,
Congressman, Subcommittee on HUD and Independent Agencies House of Representatives, Capitol Building, Washington, D.C.

DEAR CONGRESSAN BOLAND: It was suggested to me today by Congressman Robert Duncan that I wrote to you so the Mt. Scott site would be in the record.

The site has the following outstanding characteristics:

1. Geothermal heat (see letter attached);
2. Good access to I-205 and mass transit;
3. Sewer, water and other utilities are in place;
4. Geologically sound;
5. 70 acres in size;
6. Immediately available; and
7. See schematic of city (per attached).

I trust this will get into the record so that when the Senate Appropriations Committee reviews this, it will be included.

Yours truly,

FRED ELSASSER.

physicians in the state. The University is also committed to expanding its total enrollment by 35% over the next several years. The implication of this growth in the need for teaching facilities (acute care beds) is shown on Table 15 and discussed in Section 2.3.

Everyone interviewed by the consultants agreed that the dependence of the V.A. and the University on each other for their teaching programs is so strong that it would not be broken if the V.A. replacement facility were located at a greater distance from the campus. However, as travel time increases, inconvenience and time loss would reduce somewhat the degree of overlap and joint activity. Special communication and transportation mechanisms would have to be developed for transfer of information, faculty, students, etc. While close proximity or, ideally, adjacency is most desirable from the standpoint of those people involved in the teaching and research programs, it appears that separation of the two institutions by a distance of up to 30 minutes portal-to-portal would not critically interfere with the continuation of the present relationships around these programs.

The Vancouver V.A. Hospital has no University affiliation and no teaching or research programs.

Summary of Findings:

The University of Oregon Health Sciences Center and the Portland V.A. Hospital are mutually dependent on each other for their teaching programs.

The V.A. relies heavily on University faculty and resources for its research activities.

★ While the teaching and research programs of both institutions are enhanced by proximity, and such proximity is recommended by University and V.A. leadership, it is believed that a separation of up to 30 minutes portal-to-portal could be tolerated without critically interfering with the existing relationship.

★ PER GRIFFIN-BALZHISER CONSULTANT'S REPORT.

THIS PROPERTY IS WITHIN THE CITY LIMITS OF PORTLAND, OREGON.
IT IS LOCATED BETWEEN S. E. 105th. and S. E. 112th., St.
NORTH OF MT. SCOTT BLVD.
PROPOSED
U.S. VETERANS'S
HOSPOTAL SITE
PORT INT'L
AIRPORT
EMANUEL HOSP
BARNES H.S.P

PORTLAND, OREG.,
February 16, 1977.

Subject: Proposed new Veterans' Administration hospital at Portland, Oreg.

HON. JAMES CARTER,
President of the United States of America,
Washington, D.C.

DEAR MR. PRESIDENT: 1. Negotiations are presently going on to locate a new enlarged veterans hospital in the Portland, Oreg. area to replace the existing obsolete structure. There are apparently four sites being considered. I represent a client who has an excellent site which I feel should be considered in view of energy conservation.

2. The site I recommend is on a beach at about 215-feet elevation on the northwest corner of Mt. Scott, an ancient shield volcano, which is on the east fringe of the city of Portland. Seventy acres or any part is available. The pitch of the Columbia River basalt strata is downward to the west making it relatively simple to drill through it to obtain usable warm water at this site. Energy savings on this basis would be in the approximate area of $200,000 or $300,000 per year less than by standard air conditioning means. In the interest of conserving the Earth's energy this method should surely be employed and at this geologic site.

3. Our mechanical consulting engineering firm specializes in design of mainly large heating and air conditioning installations. We are highly concerned with energy conservation and have been involved in, and designed some of the largest heat pump installations in the area. The heating and air conditioning system that I recommend for this large building project in this geologic area is a heat pump system drawing geo-thermally warmed water from below the great layer of Columbia River basalt predominant in this area and boosting its temperature through the refrigeration cycle to usable heat with cooling as a byproduct. We would use only approximately 25 or 30 percent as much energy as the normal nuclear, fossil, or electrical thermal energy systems employ.

4. Senator Proxmire, Magnuson, Jackson, Hatfield from the Senate Appropriations Committee and Congressmen Duncan and McCormack have requested a hearing for March 17, 1977 regarding the V.A. recommendation to replace the V.A. Hospital at its present site, which would require the demolition of millions of dollars worth of buildings. The existing site also lies within an earthquake fault in this area.

5. If you concur that energy conservation should be considered for this facility, please advise Senator Proxmire's office so he in turn could have me be at this hearing as a witness on this subject.

Your earliest reply is appreciated.

Sincerely,

JOHN H. BONEBRAKE,
Consulting Mechanical Engineer.

[From the Oregonian, Feb. 2, 1977]

VETERANS SPLIT OVER MARQUAM HILL SITE

A resolution supporting the Marquam Hill site as recently selected by the Veterans' Administration for its Portland-area replacement hospital has been adopted by the council of administration of the Veterans' of Foreign Wars, Department of Oregon.

But some veterans groups are reconsidering previous stands.

The VFW council's midwinter session in Portland on January 23 adopted the resolution and forwarded it to the Veterans' Administration in Washington, D.C., the Oregon congressional delegation, State and local government officials.

The resolution expresses deep concern "that patients at the Veterans' Administration Hospital in Portland should continue to receive the highest quality medical care."

The VFW also said it has been demonstrated that the closer a VA hospital is to an established accredited medical school "the greater will be the availability of highly qualified medical personnel and highly specialized procedures and facilities."

"Continuing efforts by some public officials in opposition to the selected site could result in loss of this project at any site in the Portland area," the resolution says.

The VFW and six other Oregon veterans groups previously had favored a Marquam Hill site, but there is evidence the position is not backed by all members.

In a January 19 letter to State Senator Ted Hallock, D-Portland, T. Les Galloway, commander of the United Veterans Group of Oregon, said that the Department of Oregon American Legion and the Veterans of Foreign Wars at their conventions last year mandated they work toward a Marquam Hill site, but because of considerable debate the issue will be reconsidered at conventions in June.

They did not vote this issue last year and therefore are not mandated by their convention to follow any such instructions," Galloway wrote.

"The United Veterans Group of Oregon, which consists of representation from all nationally chartered veterans organizations in the State of Oregon, plus some associate members, did not vote on the issue as the aforementioned mandates gave the American Legion and the Veterans of Foreign Wars no choice in the matter," Galloway wrote.

Galloway said the Disabled American Veterans, in a January 16 executive meeting in Portland, moved to have a resolution drafted for their May convention rejecting the Marquam Hill, Vancouver and Emanuel Hospital sites.

Galloway said that leaves only the Mt. Scott site, which is owned by Fred Elsasser.

Galloway said he has been told that the conventions favoring the Marquam Hill site may have been "premature or hasty."

The United Veterans Group of Oregon, he said, will meet at 9 a.m. Saturday, February 5, in the Tualatin Ramada Inn to consider various viewpoints "so that we may have information to submit to our conventions in May and June."

Selective Service System and Veterans Administration

Statements of Members of the American Legion

Mr. Boland. The committee has received statements and other pertinent materials from Mr. Mylio S. Kraja, the director of the national legislative commission of the American Legion on the Selective Service System and the Veterans Administration, including the location of the new Veterans Administration hospital in Portland, Oreg. The statements and attachments will be placed in the record at this point.

Statement of E. H. Golembieski

Mr. Chairman and members of the subcommittee, we appreciate the opportunity to express the views of the American Legion on the Veterans' Administration Budget Authority and appropriation request for fiscal year 1978.

A comparison of the 1978 revisions submitted by President Carter with the January 1977 recommendations of the previous Administration indicates that changes affecting Veterans' Administration estimates have only been made in the area of proposed legislation. Two appropriation accounts were involved in the revision of the summary tables—compensation and pension, and readjustment benefits.

Proposed legislation covering cost-of-living increases for compensation are to become effective October 1, 1977 to reflect September 1976 through September 1977 consumer price index advances. Pension cost-of-living increases are to become effective January 1, 1978 to reflect December 1976 through December 1977 CPI growth. For the compensation program it is anticipated that the consumer price index advance within these dates will produce a 4.9-percent rate increase, and a 5.3-percent increase in the pension program rates.

Under the readjustment benefits program, the revisions delete the earlier proposal to reduce the time available for a veteran or other eligible person to finish their educational objective from 10 to 8 years. The effect of this revision would be to leave the delimiting period to use earned eligibility at 10 years.

The appropriation requests, both in the January 1978 and the revised budgets, total $18,414,272,000; a decrease of $184,600,000 from the 1977 appropriation, including supplementals of $212.7 million. Major changes in the appropriation/fund accounts are as follows: General operating expenses, up $28.1 million;

Compensation and pensions, up $375 million; Readjustment benefits, down $979.3 million; Medical care, up $330.3 million; Assistance for health manpower training institutions, up $13 million; Supply fund, up $20 million; Construction, major projects, up $28.4 million; and Construction, minor projects, up $2.8 million.

Notwithstanding the administration's proposed cost-of-living percentage increases in compensation and pension rates, The American Legion believes that several of the appropriation requests need to be increased if the Veterans' Administration is to fulfill its responsibility of delivering benefits and services in a timely manner, and with no reduction in their quality.

At this point in our statement, we will direct our remarks to the appropriation/fund areas of concern to our organizations.

GENERAL OPERATING EXPENSES

This fund account finances all nonmedical administrative costs of the Veterans' Administration. These are (1) General administration, (2) Department of Data Management, (3) Department of Veterans' Benefits, and (4) the National Cemetery System.

Amounts requested for 1978 are $28.1 million above the total 1977 estimate, including supplemental requirements. These additional funds, according to the VA, are requested to support expansion of the National Cemetery System; a strengthened audit and investigative function; increased automatic data processing services to expanding agency programs; further development of the Compensation, Pension and Education Target System; the net impact of within-grade salary increases; additional reimbursement to the GSA for present and newly occupied space; as well as other increases in communications and program support costs.

Budget authority for the Department of Veterans' Benefits for fiscal year 1978 includes a request for increased support for development of the Compensation, Pension and Education Target System, including plans for the installation of the Regional Data Processing Centers and the Target Central System in 1978.

According to studies associated with the development of the C. P. & E. Target System, the benefit-cost ratio is such that the Veterans' Administration would save $1.45 in processing costs for every $1 spent. In addition to the savings derived from the target system, it offers a number of nonmonetary benefits. Some of these are:

(1) Substantial reduction in the lapsed time required to process claims;

(2) Faster response to questions on status of claims adjudication from veterans, service organizations, and the Congress;

(3) Decreased waiting time and duration of interviews;

(4) Reduction in the number of complaints to the Veterans' Administration and the Congress;

(5) Significant reduction in computer rejection of claims; and

(6) Reduction in the number of checks returned to the Treasury.

If there are, as reported in a recent issue of the Washington Post, problems associated with the Veterans' Administration Target System conversion planning, the agency should be funded, as well as directed to overcome these problems so that both the Government and those depending on delivery of benefits and services may experience the application of the system.

Under this appropriation/fund, we are concerned with the proposed average employment decrease of 321 in Compensation, Pension and Education, and of 250 in veterans services.

As you know, the Veteran's Administration estimates a trainee total of 2,004,790 in fiscal year 1978—a drop of only 184,215 from the 1977 fiscal year estimate.

An analysis of available information indicates that in 1976 the Veteran's Administration averaged 1,892 trainees for each veterans representative on campus (vet-rep) employee, in 1977 it dropped to 1,748 for each vet-rep, and in 1978, the trainees' load increases to 2,027 for each vet-rep.

In veterans services, workload estimates show 5.5 million interviews (a drop of 100,000); telephone actions 25.7 million (an increase of 400,000); and, field examinations 110,000 (a drop of only 5,000).

In compensation and pension services, new claims are estimated at 452,000 (up 30,000); reopened claims 485,000 (up 10,000); and, dependence and income claims 1.457 million (up 27,000).

Also, as proposed, the revised budget did not take into consideration the potential effects of the President's recently announced program of reviews to upgrade the discharges of those issued an undesirable discharge. An upgrade to a general or full honorable discharge will make thousands upon thousands eligible to apply for education or training, and for other benefits and services.

In this area of general operating expenses, we ask that the subcommittee give serious consideration to authorizing funding for an average employment equal at least to that authorized for fiscal year 1977.

MEDICAL CARE

Appropriations for this budget function provide for medical care and treatment of eligible beneficiaries in VA hospitals, nursing home care, domiciliary, and outpatient clinic facilities; contract hospitals—other Federal and non-Federal; State nursing homes and hospitals—on a grant basis; contract nursing homes; and through hometown physician andd entist outpatient programs on a fee basis. In addition, Public Law 93–82 established the CHAMPVA program—one that extended medical services at VA expense to certain dependents and survivors of veterans with total service-connected disabilities, or to survivors of those who died of service-incurred causes. Also, under this account, funding is provided for training of medical residents and other professional and paramedical and administrative personnel in health-science fields to support VA's medical care programs, as well as to meet the Nation's manpower demand in short supply categories of personnel.

A continuing growth in the eligible veteran population and expansion in eligibility is placing an ever increasing demand on the Veteran's Administration for medical and hospital services, as well as for other specialized services available in VA's hosptials and outpatient clinics.

Appropriations requested for fiscal year 1978 total $4.736 billion—an increase of $339.3 milion over fiscal year 1977. Average employment will be increased to 180,634—up 3,488 over 1977. Proposed fiscal year 1978 funding and personnel will provide for:

(*a*) An inpatient beneficiary treatment level of 1,409,386;
(*b*) An average daily inpatient census of 116,660;
(*c*) A total of 17,470,000 outpatient medical visits;
(*d*) CHAMPVA dependent workloads of 638 average daily inpatient hospital census, and 394,521 fee base outpatient visits;
(*e*) Continued improvement in the hospital inpatient turnover rate; and
(*f*) Further improvements in the staff-patient ratios in VA hospitals.

Information published in Committees on Veterans' Affairs Budget Views and Estimates for Fiscal Year 1978 indicates a shortfall in the appropriation estimates for the ambulatory care program. The following appears to reflect this deficiency.

In fiscal year 1977, the projection is for 14,589,000 outpatient visits with 26,420 full-time equivalent employees producing a productivity ratio of 552 to 1, but the first 4 months of fiscal year 1977 experience indicates that the workload will be achieved while the employment levels will fall appreciably short of estimates for the outpatient programs, so that the actual productivity ratio approaches the fiscal year 1976 level of 590 to 1.

Additionally, the report comments that the workload levels are being artificially suppressed, that is, the patient demand is not being met due to restrictions in the availability of resources.

As a result of these foregoing facts, the reports estimate a need for an additional funding of 1,000 FTE in fiscal year 1978 to assist in alleviating the resource restrictions applicable to the outpatient or ambulatory care program. These additional resources would provide a productivity ratio of 537 to 1; assuring a quality of care as well as adequate quantity.

MAJOR CONSTRUCTION

This appropriation fund finances major construction, where the estimated cost of the project is $1 million or more, for (1) construction of new facilities, (2) modernization of existing facilities, and (3) alteration and improvement of facilities under the jurisdiction of the Veterans' Administration. Funds provided include those needed for planning, architectural and engineering services, and site acquisition.

The request of $430,489,000 includes funds for Martinsburg, W. Va. and Portland, Oreg., the third and fourth new replacement hospitals of the eight approved by President Ford on May 11, 1976.

We have reviewed the several recommendations of the reports to the Committees of the Budget by the chairmen of the Senate and House Veterans' Affairs Committees, on the need for construction of VA nursing bed care units, and critically needed research and education buildings. We support, Mr. Chairman, the inclusion of such additional budget authorizations and outlays to the fiscal year 1978 major construction program budget as will assure the construction of these projects.

In closing, Mr. Chairman, we would point out that the President's fiscal year 1978 appropriation request for veterans' benefits and services represents a decrease below the fiscal year 1977 percentage. This declining share of the Federal budget reflects a long-term trend. In fiscal year 1956, veterans' benefits and services constituted 7.05 percent of the total Federal budget. In fiscal year 1977 it is estimated that only 4.36 percent of the Federal budget will be in veterans' benefits and services outlays—a decline of 38 percent over the 21-year period. Fiscal year 1978 VA outlays proposed by the President would decrease still further, to 4.15 percent of the total budget.

We appreciate your receiving the views of the American Legion.

STATEMENT OF G. MICHAEL SCHLEE

Mr. Chairman and members of the subcommittee: The American Legion appreciates this opportunity to present its views on Selective Service System funding for fiscal year 1978. Our position on this matter is outlined in the attached resolution No. 427.

We support a viable system with State headquarters and community-based offices, a decentralized network which has been proven effective in previous periods of national emergency. Obviously, the $6.3 million requested for the upcoming fiscal year is insufficient to maintain the sort of program we recommend.

In its deliberation on the matter now being discussed, we request that the subcommittee review the findings of the House Armed Services Committee during hearings in January and February 1976.

Again, we thank you for your consideration of our views.

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, Wash., 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

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.

STATEMENT OF RON DREESZEN

My name is Ron Dreeszen, department adjutant of the American Legion, Department of Oregon, which is composed of 22,000 veterans of World War I, World War II, Korea, and Vietnam. Affiliated with us is the American Legion auxiliary, which in Oregon is 11,000 strong. We are also strong in the belief that our thinking reflects the majority of the approximately 312,000 veterans of all wars residing in Oregon.

Those veterans are persons who paid in advance for the necessary benefits which they most deservedly have earned. Such benefits as veterans hospitals should not be looked upon as grants, but as benefits earned for services rendered.

The American Legion, Department of Oregon, gave careful consideration and thought to the selection of a site for a new veterans' hospital, the upper-most thought being "veterans' care." We therefore express our sincere concern for those veterans who are now and will be in the future ill, aged, and indigent, not because of things that are attributable to a way of life, but because of a service rendered when asked by a nation in need of assistance, that nation being one of which they all were proud to be a part.

When that aforementioned thought and consideration were concluded, it was determined that the best possible site for a replacement of the Portland VA Hospital was indeed in as close proximity as possible to the University of Oregon Medical School, otherwise known as the Oregon Health Sciences center.

We feel, and are sincere in the belief, that the expertise available from such an institution as the University of Oregon Medical School would be irreplaceable. Furthermore, the advanced technology and equipment which are in use at the present time at the medical school are already present, where otherwise this may not be so.

The closeness of the two—The VA hospital and medical school—contribute greatly to the success of each facility.

You are asked to consider the enclosed statement of T. Les Galloway, State chairman, the United Veterans Groups of Oregon, dated August 12, 1976. This statement was reaffirmed on January 5, 1977, at a meeting of the United Veterans Groups of Oregon. This alignment of veterans represents a membership of approximately 95,000 to 100,000.

The Galloway statement includes several items which the American Legion would bring to your attention and not reiterate because of length. All these items were considered in our evaluation of the Marquam Hill site.

We are also firm in our belief that the studies advocated by the U.S. Veterans' Administration were conducted in a manner which had as its most precious consideration "veterans' care." Former Veterans Administrator Roudebush was, it sincerely appears to us, dedicated to not only "veterans' care," but also to administering the Veterans Administration to insure physical, mechanical, and financial feasibility in the most beneficial way for the U.S. taxpayer. You will recall that former President Ford also endorsed the Marquam Hill site.

In closing, let me, as the designated spokesman for the American Legion, Department of Oregon, ask you to approve the replacement of the Portland Veterans' Hospital with a new hospital in a location as near as possible to the University of Oregon Medical School on Marquam Hill.

While you may have other considerations, let me ask that you care as much for "veterans' care" as they, the veterans, did when asked to serve. That service has entitled us the privilege of making decisions, and therefore I believe we should consider the veteran when doing so.

The Department of Oregon, the American Legion, is appreciative of your accepting this statement and taking it into your sincere deliberations.

Thank you.

STATEMENT OF T. LES GALLOWAY

My name is T. Les Galloway, the State chairman of the United Veterans Groups of Oregon, which is composed of the six nationally chartered veterans organizations which have State organizations within the State of Oregon. These are the American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, the Military Order of the Purple Heart, the Veterans of World War I, and the United Spanish War Veterans. Affiliated with us are such State and regional organizations as the Oregon County Service Officers Organization, the Retired Enlisted Mens Association, and the Retired Officers Association. Recognizing as basic our common concern for the welfare of the disabled, aged, and indigent veterans these organizations today speak with one voice on their behalf.

We, the United Veterans Groups of Oregon, have one major concern in the selection of a site for this proposed hospital—that is, the best possible care for the veterans patient. This is the premise upon which the Veterans' Administration hospital system was founded, and which has been reiterated by its present Administrator, Mr. Roudebush.

Fifteen months ago the United Veterans Groups of Oregon took up this matter of a site for the proposed hospital. After study, and much discussion, it was determined that, with complete unanimity, we agree that the closest possible proximity to the Health Sciences Center was in that best interest of the veteran patient. In furtherance of this determination, State conventions of member organizations passed resolutions mandating this position in June 1975.. They have since been reaffirmed.

I would cite some of the factors which brought us to this determination. In the interest of brevity, I will do little more than offer them by title.

(1) Cancer therapy.—All patients requiring X-ray therapy are treated by medical school faculty members. The VA hospital has no supervoltage equipment, and all patients requiring this therapy are treated at the medical school, which has a cobalt unit, a 2-million volt Vandegraph, and 25-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 24 hours a day, 7 days a week. There is an active neuro-surgical service with all professional care given by medical school staff. The VA hospital's eye service is the major center for the Northwest; the medical school's specialized equipment, including argon and ruby lasers, 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 VA hospital and the University of Oregon Medical School. They share personnel, tissue-typing laboratory, and have developed a statewide 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 the Minneapolis VA hospital for open heart surgical care.

I can only mention other shared and complementing services—in pathology, radiology, nuclear medicine; in the clinical laboratory; in research; in education and continuing education in medicine, nursing, and dentistry.

I would quote to you remarks of a most respected physician and surgeon on the staff of the VA hospital: The medical school is an important resource to the veterans hospital since it produces a level of patient care which is not obtainable by any other practical means. The close geographic relationship between the two institutions is absolutely essential since it allows personnel to move easily between the two institutions several times daily if necessary. Any planning which tends to remove the veterans hospital geographically from the medical school will alter the present relationship, will interfere with the level of expert staffing and teaching which now exists, and will ultimately lower the level of care which the veteran now enjoys.

This is the name of the game—care for the veteran patient. Everyone should put aside every other consideration. Place the hospital where it will have the best qualified personnel and the finest facilities to furnish that care.

I thank you.

EXCERPT FROM DEPARTMENT EXECUTIVE COMMITTEE MEETING, MARCH 27, 1977, COSMOPOLITAN MOTOR HOTEL, PORTLAND, OREG.

Report of Past Department Commander T. Les Galloway to the Department Executive Committee:

Gentlemen, I wish to propose a resolution to this body that we go on record as reaffirming resolution No. 108 of the 57th Annual American Legion Convention and resolution No. 227 of the 58th Annual American Legion Convention and that we also continue our efforts to let our opinion, as expressed in those mentioned resolutions, be known to all concerned.

Second—Herbert A. Lindner, national executive committeeman.

Action—Passed unanimously March 27, 1977.

Attest:

RON DREESZEN,
Department Adjuiant.

RESOLUTIONS, OREGON DEPARTMENT, AMERICAN LEGION

Whereas the Department of Oregon, the American Legion, has asserted itself in resolution No. 108 of the 1975 Annual Convention as being unanimously in favor of the Marquam Hill site as the best location for a replacement hospital in the Portland area; and

Whereas there has been no convincing evidence put forth to discourage that attitude; and

Whereas the American Legion, Department of Oregon, continues to concern itself with care to the veteran as our most important goal; and

Whereas the American Legion, Department of Oregon, feels that such an attitude should be continued; now, therefore, be it

Resolved, By the American Legion, Department of Oregon, That we favor a site for a replacement VA hospital in as close proximity as possible to the University of Oregon Medical School on Marquam Hill, and be it finally

Resolved, That the view and stated opinion of the Department of Oregon, the American Legion, as expressed in this resolution and those previous resolutions, shall be made known as widely and soundly as possible to all concerned with resolving the location of a Portland VA hospital, and especially to all who are genuinely concerned with veterans' care as the most serious consideration, including the Oregon congressional delegation, the Veterans' Administration Central Office, the Senate and the House Appropriations Committees of the U.S. Congress, the President of the United States, and others.

RESOLUTION

Whereas the American Legion, Department of Oregon, is deeply concerned that patients at the Veterans' Administration hospital in Portland should continue to receive the highest quality medical care; and

Whereas a study is to be made to assist in the selection of a site for a proposed new Veterans' Administration hospital facility in the Portland area; and

Whereas it has been demonstrated, and proven, that the closer a VA hospital is located to an established, accredited medical school, the greater will be the availability of highly qualified medical personnel and highly specialized procedures and facilities; now, therefore, be it

Resolved, By the American Legion Department of Oregon, in Convention Assembled, That we favor a site in the closest proximity to the University of Oregon Medical School in Sam Jackson Park; and be it finally

Resolved, That the view of the American Legion, Department of Oregon, as expressed in this resolution, shall be made known to the consultants making the initial study, to the Veterans' Administration Central Office, and to the Oregon congressional delegation which will ultimately fund the construction.

87-498 O - 77 - 10

[The statements follow:]

NASA—SPACE TELESCOPE

WITNESS

DR. GEORGE B. FIELD, DIRECTOR, CENTER FOR ASTRO PHYSICS, HARVARD COLLEGE OBSERVATORY

Mr. TRAXLER. We would like to welcome Dr. George B. Field, the director of the center for astrophysics at Harvard College Observatory. You are here to tell us about the NASA Space Telescope application.

Dr. FIELD. Mr. Chairman, if it is your pleasure, sir, I would like to submit a written statement and then speak from impromptu notes, as well.

Mr. TRAXLER. Fine.

[The complete statement follows:]

STATEMENT OF DR. GEORGE B. FIELD

The NASA Space Telescope is designed to answer questions like: How big is the universe? How old is it? Did it have a beginning? Will it have an end? Will observations of black holes or quasars reveal new laws of physics? What kind of undiscovered things are there in outer space? How are stars formed? Are there other planetary systems like our own?

The Space Telescope can provide new information on these fundamental questions because it will be located outside the Earth's atmosphere in a stabilized observatory. The Earth's atmosphere is a partially opaque curtain between us and the rest of the universe. Only a very narrow band of colors is transmitted unimpeded by the atmosphere. The images we do see here on earth are also blurred because of the irregular motions of cells of air in the Earth's atmosphere. Thus terrestrial observations through the atmospheric curtain are limited to visual colors and twinkling (blurry) stars.

The Space Telescope, by being outside the Earth's atmosphere, will enable us to see images that are 10 times smaller (or less fuzzy) than with ground-based optical telescopes. This tenfold increase in resolution will permit us to study nearby known objects in much greater detail or to detect stellar counterparts at about 10 times greater distances than is possible from Earth. If the universe had a beginning, we should be able to detect objects all the way back to between 75 percent to 95 percent of the beginning of time. The Space Telescope will allow us to observe light over the entire range from the far ultraviolet to the far infrared (from approximately 1,100 A° to about 1 mm=10 million A°). This will increase the color-range over which we can "see" (or photograph) the universe by a factor of more than a thousand.

The Space Telescope will be a national observatory in long-term orbit around the Earth. It will be launched by the NASA Space Shuttle and will be the first permanent national astronomical observatory in space. The availability of the Shuttle will allow in-orbit repair and replacement of equipment by Shuttle crewmen and return to Earth when necessary for a refurbishment of the entire system. The spacecraft facility is a cylinder of about 14 meters in length (46 ft.) and 4.3 meters (14 ft.) in diameter, weighing about 9,000 kg (10 tons). The mirror size will be 2.4 meters (94 in.), comparable to some of the largest ground-based telescopes. This size was fixed as a result of detailed studies, requested by the Congress, that established 2.4 meters as an optimal compromise among the conflicting objectives of maximum resolving power and speed, with minimum cost and technological risk. The mirror is sufficiently large that experiments requiring large light-gathering power can be done with this telescope that would be impossible with the smaller predecessors that NASA has been able to orbit previously.

The optical design is similar to conventional ground-based reflecting telescopes (technically: an F/24 Cassegrain, Ritchey-Chretien optics). The mirrors will be made from light-weight ultra-low expansion fused silica. There will be several versatile scientific instruments to carry out a wide range of kinds of observations (possibly including a wide field camera, a faint-object spectrograph, an infrared photometer, and a faint-object camera). The in-orbit maintenance capability provided by the Space Shuttle insures the successful initial operation of the scientific instrumentation and will permit the replacement of failed or outdated equipment at a small fraction of the cost of a new scientific mission. Thus the Space Telescope can be operated with the best scientific instruments as they become available. Data will be transmitted to Earth, and the telescope controlled, via the NASA tracking and data relay satellite system. One of the ultimate products will be pictures of the universe in wavelengths (colors) that the unaided eye could not see.

The National Academy of Sciences study, "Opportunities and Choices in Space Science, 1974" [1] described the Space Telescope as "* * * an exciting major step in the history of observational astronomy, observational cosmology, and the understanding of the universe." There have been many detailed studies, over the past 8 years, of the fundamental advances that may be anticipated in astronomy from the application of the Space Telescope to known problems. These include a better understanding of planetary atmospheres and meteorology, the search for other planetary systems like our own, studies of cloud where stars like our Sun are now being formed, a search for massive black holes and compact white dwarfs inside the globular star clusters, a measurement of the size of the universe, the investigation of the nuclei of active galaxies and many more. However, the history of science suggests, despite this impressive list of foreseeable problems, that the greatest discoveries will probably be unanticipated, involving objects that are now hidden by the Earth's atmospheric curtain. For purposes of illustration, I will describe in a little more detail below just one problem on which the Space Telescope can certainly provide crucial new information.

Quasars are the most distant and most energetic objects known in the universe. They produce enormous amounts of energy, 100 times that from a bright galaxy of 10 billion stars, in a very small region of space. No one knows for sure how quasars manage to produce such great amounts of energy; there are many theories and speculations but observational tests of these ideas are prevented in large part by the Earth's atmospheric curtain. Many of the speculations can be categorized as sick-galaxy theories of quasars, for example, they suppose that quasars are some sort of disease or transient event in an otherwise normal galaxy, a sort of cosmical cancer. To test these ideas one needs to observe quasars with the Space Telescope to find out whether or not these bright point-objects, quasars, are surrounded by fainter, more diffuse light of galaxies. One may also be able to determine if being a quasar is a disease of the young, or the old, galaxies; this is a fundamental question that is currently inaccessible to us because of the fuzziness of the images received by Earth-based telescopes.

It is conceivable that an understanding of the way quasars produce energy could lead to improved laws of physics or even some practical applications. As an historical example, we recall that the inspiration for this country's controlled thermonuclear fusion program came from the realization, by astronomers and physicists working in pure research, that the Sun shines on the basis of hydrogen fusion.

of widespread interest, the important questions of timing and priority remain. Budgetary pressures and our social problems are urgent. It is natural that under these circumstances those in Congress who are responsible for deciding

Granting that the Space Telescope can make significant scientific contributions which programs have priority should ask: Why send up the Space Telescope now? Will not the laws of physics and astronomy be the same 5 or 10 years from now? Could we not delay this program and come back to it equally well when the economic and social situations are improved? These questions have been put to me in the past by congressional friends of science who were enthusiastic about the program but were concerned about priorities. They deserve serious, quantitative answers in the same concerned spirit in which the questions

[1] Space Science Board, National Research Council (National Academy of Sciences, Washington, D.C., 1975).

were asked. The scientific laws and phenomena will indeed be the same in future years, but there are at least four logical and economic reasons to go forward with the Space Telescope program this year.

First, many United States and foreign astronomers have participated in the Space Telescope feasibility and design studies over the past 5 years. About 45 academic scientists were under direct contract to the NASA, representing some 25 major astronomical research groups in the United States, Canada and Europe, as well as some additional 30 scientists who worked for the program in various noncontract, supporting roles. There were probably about an equal number of NASA personnel directly involved in the planning and testing. If the Space Telescope were delayed now, these expert teams would dissolve and the individual scientists would turn to other areas of research. If the Space Telescope were delayed and then restarted in the future, years of retraining and duplication of scientific studies would be required.

Second, a number of outstanding industrial firms have invested heavily of their own internal research and development funds, and the time of some of their most skilled personnel, to provide NASA with the best possible preliminary design. (The principal contractors include Boeing, Itek, Lockheed, Martin-Marietta, and Perkin-Elmer; important contributions have also been made by Aerospace Corp., Ball Bros., Bendix, Corning Glass, IBM, and others.) These companies have spent some $15 million of their internal research and development funds in the design studies, compared to the about $5 million paid to them by NASA. These skilled industrial teams would be dissolved if there were a significant delay in the program; they would have to be reactivated and retrained in the event of a postponement. The design of an intricate system such as a space satellite is not a static problem; much of the design work would have to be redone and integrated with new components if there were to be a long delay. I am not sure that one could persuade the qualified industrial companies that 5 years from now the Space Telescope would again be a worthwhile financial investment. This is especially true if the argument for postponement now were that the laws of physics are unchanging and astronomical investigations may be delayed whenever convenient, an argument that could easily be applied again in another 5 years.

Third, as a result of congressional initiatives, the European Space Agency (ESA) and the NASA have formulated a memorandum of understanding regarding the formal aspects of European support and participation in the Space Telescope program. The ESA voted in October 1976 to spend 80 million accounting units—approximately $88 million—for their participation in the Space Telescope. This is a very significant commitment on ther part; it amounts to approximately 18 percent of their total fiscal year 1977 budget—or close to 2 years equivalent of their science budget—. The ESA is composed of 10 member nations that have participated with NASA on several previous joint programs and are now building the Spacelab for the Space Shuttle. The member nations represent the majority of Western European astronomers and would form a strong supplement to the U.S. scientific team. Naturally the commitment of ESA to the Space Telescope is based on the signing of the memorandum of understanding between NASA and ESA—under which ESA scientists would receive an amount of observing time commensurate with their agency's financial contribution—and of course the support by the U.S. Congress of the Space Telescope in the NASA budget. If there were a significant delay in the program European scientists would presumably turn their interests to other areas and ESA would redirect its funds to more exclusively European projects.

Fourth, the Space Telescope is the logical and economical successor to the previous NASA program of short-lived individual space astronomy experiments. The availability of the Space Shuttle enables NASA to maintain and update a single observatory in space for a period of many years at a fraction of the cost of sending up a series of duplicate spacecraft. The Space Telescope will be the first major astronomical application of the full potentialities of the Space Shuttle.

In a recent NASA symposium on the technical design and performance of the Space Telescope, J. A. Downey pointed out: "More time and resources have been expended on definition of the Space Telescope than in the planning of any previous NASA scientific mission." The Space Telescope is ready to go. American scientists and industrial people are eager to begin. Our European colleagues are anxious to participate. Now is the time to start.

Dr. FIELD. Sometimes this committee deals with matters involving miles, as it has been in the last few minutes when we were discussing the Veterans Hospitals. I guess I will provide a change of pace, because I am going to be talking about billions of light years. My concern, as is the case with many of my scientist colleagues, to make sure that the Space Shuttle does not become a white elephant, as far as its use for science is concerned.

Our concern is that the Space Shuttle, in which some $8 billion will be invested, will be used properly for scientific purposes. I am chairman of NASA's physical sciences committee.

The broad-based scientific advisory committee enthusiastically endorsed all of the major new starts in the NASA budget for 1978, including Space Telescope, Jupiter Probe, and the Space Shuttle payload increment.

Now, it is my understanding that questions have arisen within this subcommittee concerning the Space Telescope. As an astronomer, I will limit myself particularly to that area.

The cost of Space Telescope, at some $400 million is, indeed, high; it deserves the scrutiny of this subcommittee. But in my judgment and in the judgment of my fellow scientists, it is a very cost-effective program. If I may, sir, I would like to demonstrate this by referring to the development of telescopes throughout history. One can go back to the year 1609 when Galileo constructed the first astronomical telescope. In present dollars that telescope cost $50. In 1950 the Nation's largest telescope, the Mount Palomar 200-inch telescope, cost about $50 million in 1977 dollars.

This progression in the development of telescopes, increased enormously our horizon in the universe and the faintness of the objects which we can investigate.

Basically, the astronomer uses a telescope to collect light and to see deeper into the universe.

Our experience in the development of telescopes has been that each factor of 10 in telescope size from 2 to 20 inches, and then to 200 inches—which corresponds to about a factor of 100 in the faintness of the objects that we can see—costs 1,000 times in dollars. Thus, we went from $50 to $50,000 to $50 million.

That is where ground-based astronomy has led us to at this time.

The Space Telescope will achieve another factor of 100 beyond the capability of Mount Palomar, so, based on our prior experience with ground-based telescopes, this would cost 1,000 times as much as Palomar, or $50 billion.

The actual cost estimated for Space Telescope is $400 million, only about 10 times the cost of Palomar. How does this dramatic saving come about?

The answer is through the application of space technology. Telescopes have been operated in space since 1960.

The telescope OAO–3 launched in 1973 with funds approved by this committee carries out ultraviolet studies. The success of this 30-inch telescope, which is still operating, led NASA to study a larger telescope of approximately 100 inches. This became known as the Space Telescope. In this effort it was realized that not only could a larger

telescope greatly increase our power to reach faint ultraviolet objects, but by proper design it could also reach 100 times further optically.

It can do this in spite of the fact that it is actually physically smaller than the 200-inch on Mount Palomar; that is what keeps the costs as a moderate level. It was discovered during these studies by NASA that because of the development of infrared detectors by the Department of Defense, the capability of the telescope could be extended throughout the whole invisible range which cannot be studied from the ground.

Thus, emerged the concept of space telescope, a 94-inch telescope which will increase our ultraviolet capability by 1 million times, extend our faintness limit 1,000 times, and give an unprecedented 100-fold wavelength coverage for the infrared.

So I conclude that the Space Telescope will be a powerful, versatile telescope, which will be among the most important scientific instruments ever constructed. I further conclude that it is in fact cost-effective.

Now, all of these benefits, of course, will come to nought unless there is some additional science which can be done.

I will not go into this in any detail at all. But one area of interest to me, personally, is the phenomenon of quasars. These objects, which are quite small, nevertheless produce energy which in one case is recorded to be 100 trillion times the energy of the Sun. We feel that it is important to understand how this comes about.

Each one of the capabilities of the Space Telescope that I have mentioned addresses a critical question concerning the quasars. In the ultraviolet we are able to study matter ejected at very high speeds by these exploding objects. In the optical regime we can ask a question which has been raised—and I might say, studied by one of my colleagues, Dr. Vera Rubin, who is with us today—the question of whether quasars are located within galaxies or whether they are a special phenomenon perhaps related to the origin of the universe itself.

And finally, in the infrared we believe that much of the energy production of quasars occurs in that region.

So each of the capabilities of the Space Telescope will be utilized in addressing this problem. This could have practical importance at some time, because quasars emit energy 10 or 100 times more efficiently than stars, which are based on nuclear fusion. So astronomers, in understanding quasars, will contribute to our basic knowledge of energy, just as they did when nuclear fusion was first recognized in the stars.

As one goes down the list of frontier problems in astronomy, which itself is a frontier field of science, one finds that the Space Telescope can attack 80 percent of all of the frontier problems in astronomy.

Because of this versatility, it will be used by a large fraction of the entire astronomical community. About 500 different astronomers will use it.

Now to return to my original point about the Shuttle. The Space Telescope requires the Space Shuttle, as this committee is well aware. The Space Shuttle was originally justified partly on the basis of its scientific application. For a cost approximately equal to 6 percent of

the development costs of the Space Shuttle, the Space Telescope would demonstrate the capability of shuttle for doing first-rate science. I am sure that the Space Telescope will achieve a worldwide renown. Let me summarize: the Physical Sciences Committee endorses all of NASA's new starts.

The advance of Space Telescope over present ground-based telescopes will be accomplished at a small fraction of the cost of doing so from the ground.

It will become one of the world's outstanding scientific instruments. In the written testimony I have reviewed three advantages of proceeding with the Space Telescope in 1978. The scientific community has invested between 5 and 10 years in the design of the Space Telescope.

The industrial community has invested $15 million of its own money in the design of the Space Telescope. And finally, as I am sure this committee is aware, the European Space Agency has voted to participate in this project at the level of $88 million, an action which was originally stimulated by this committee, I believe. Thank you.

Mr. TRAXLER. Dr. Field, we appreciate your remarks. This subcommittee deals with a wide range of human problems, from the innercity to clean water to clean air, to toxic substances, to the Veterans of America, to the National Science Foundation.

One of the more exciting agencies that we have had the pleasure of associating with has been NASA. We recognize that the Space Telescope has been one of their key priorities; the top priority. And they have communicated that to us.

I didn't know there were so many astronomers and astrophysicists in the United States, frankly, until the last 6 months. You will be pleased to know they are verbal. They all have typewriters, also. And they can find their way to the post office.

One of the nicest communications I received on the Space Telescope, incidentally, was from a student at Michigan State who was working toward his astrophysicist degree. And he had some very lovely things to say about what is beyond the beyond, and why we ought to pursue these matters.

I suppose our difficulty is in communicating to the taxpayer and to our constituents not the basic research and development involved here and hopeful practical applications of it, but communicating the tradeoffs involved.

Is this a project that can be deferred and do you know of any way in which it could be done with less expense?

Dr. FIELD. Let me first try to answer your point about the man in the street, so to speak. I think there is an astonishing degree of interest in astronomy, which I think stems from people's desire to know about man's place in the universe. This desire is one of the key features of our civilization, the search for knowledge and the search for understanding.

We find that in university courses, and in public lectures, there is just a tremendous enthusiasm for finding out more about the Sun, planets, stars, and galaxies, and trying to understand man's place in the universe.

We astronomers have dedicated ourselves to this search for knowledge, and I think we do it in the same spirit that the man in the street

wants to understand himself, the nature of the universe and where he stands in relation to it. That can be explained to people.

Now, as to the question of cost, I have been involved in the Space Telescope project for about 4 years, and during that period, there have been many trade-off studies carried out by industry. I think that cost savings have been identified, not the least of all because of this committee's concern to save money on this project.

In particular, it was found that at a 3-meter diameter, the Telescope would be very costly, and by scaling it down to 2.4 meters, which is a significant loss in scientific power, but not an overwhelming one, a major sum could be saved.

This turned on a question of industrial capability, which is scaled to carry out certain assignments for the Department of Defense. In my written testimony I refer to the fact, that the Space Telescope project has been studied more carefully by NASA than any other scientific project.

I believe the cost estimates are firm. I do not think they can be reduced significantly. As to the question of postponement, sir, I would just say that any project can of course be postponed.

When President Kennedy sounded the call to go to the Moon in 1960, he was calling for action to move ahead. I think that at some point, we just have to decide whether this kind of activity is worthwhile, is appropriate for America to be doing, or is not.

I think that really is the question that this committee should address, because postponement, I think, simply does not resolve the issue.

Mr. TRAXLER. What will be the construction costs, in your estimation, for the Space Telescope?

Dr. FIELD. According to the figures given by NASA, somewhere between $430 and $470 million.

Mr. TRAXLER. Is it your understanding that your community will be paying a portion of that?

Dr. FIELD. I believe that ESA will pay about $58 million of that.

Mr. TRAXLER. I am advised that most of the European contribution will go toward operating costs, and the information I have is that the operating costs will be in the area of $300 million.

Dr. FIELD. I think that's a fair estimate.

Mr. TRAXLER. We are talking about a system that, for development and operation, will approach $1 billion.

Dr. FIELD. I understand that, sir. I think it is a fair comment by the chairman. I would point out in response, however, that if the Space Telescope is implemented this year, we expect these expenditures to be made through 1983 when the launch would take place, and then from 1983 at least until 1993. So we are talking about a period of time which is 16 years. So I think that should be borne in mind when talking about these total costs.

Mr. TRAXLER. Mrs. Boggs?

Mrs. BOGGS. Mr. Chairman, let me follow through on that.

In your prepared statement, Dr. Field, I notice that you have participated in Space Telescope feasibility and design studies over the past 5 years. And, thtat among those conducting such studies were about 45 academic scientists, under direct contract to NASA and then about 30 supporting scientists. Is that correct?

Dr. FIELD. That is correct, Mrs. Boggs.

Mrs. BOGGS. They worked also in various noncontract roles.

Also, you state that a number of outstanding industrial firms have invested heavily of their own internal research and development dollars—the number in dollars you give is $15 million—as compared to $5 million of NASA money given to them.

Dr. FIELD. That is right.

Mrs. BOGGS. And that they have been giving the best possible preliminary designs. Contractors included Boeing, Lockheed, Perkin-Elmer, and also contributions by Aerospace, Bendix, IBM and others. That is a real assemblage of industrial brains and interest.

Where you speak of Europe and space agencies within the memorandum of understanding with NASA, you mentioned $88 million. Isn't that really a very significant commitment, much more so on their part than it would be if we give $88 million because it is 18 percent of their total fiscal year 1977 budget?

Dr. FIELD. That is correct, Mrs. Boggs.

Mrs. BOGGS. These 10 member nations who have participated—they are now building a space laboratory?

Dr. FIELD. Yes.

Mrs. BOGGS. When they have worked with us on any of these projects, have we then gone forward with the project after their participation?

Dr. FIELD. Yes, indeed, Mrs. Boggs, as far as I am aware, all of those commitments have been followed through.

Mrs. BOGGS. So, in other words——

Dr. FIELD. If you will excuse me, additional commitments were being discussed today. The Space Science Board, of which I am a member, is studying that right now. And a number of additional commitments are being made. So, I believe there is a substantial body of cooperation in that area.

Mrs. BOGGS. Have we ever had a situation where we have assembled all of this money, all of these brains, all of these industrial groups, all of these foreign nations, and then had a lag time between gathering such interest and then going forward with the program?

Dr. FIELD. I wish I could answer that. I am not enough of a historian to know. But I do believe that the committee would agree that that would be extremely wasteful.

Mrs. BOGGS. That was really the point I was trying to make. If this is a program that is going to cost $1 million, under present projections, when 5 years of this type of concentrated participation has already been put into it, heaven knows what it would cost later. And I didn't intend as a pun what it would cost if we delayed the program even though the same astronomy would be out there.

Dr. FIELD. I quite agree, Mrs. Boggs, and that is why in response to Mr. Traxler's comment I stated that I believe the issue before this committee is whether to have the space telescope at all. I cannot imagine a period which is more favorable for prosecuting this program than right now.

Mrs. BOGGS. I agree with your assessment of the public awareness and acceptance. The National Science and Aerospace Museum has attracted more visitors per day than any of the other components of the Smithsonian Institution in its history.

Dr. FIELD. I think that is correct. And I think it is true that most people, like school kids, know about Mount Palomar. They know about the wonderful scientific efforts that are being carried out there. I think that the Space Telescope basically is the Mount Palomar of the future.

Mrs. BOGGS. Some of the other members of this committee in talking about the Space Telescope have been concerned about the practical applications. In addition to the scientific application which is part of the shuttle's responsibility, you say now that the telescope would show that the shuttle has great scientific capability.

Can you think of any other practical aspects?

Dr. FIELD. I would call attention to the history of astronomy and how it is interwoven with our understanding of the basic principles of energy. It was Isaac Newton who in the late 17th century, building on astronomical discoveries, applied for the first time the concept of energy within the solar system. Of course, those concepts were the basis for the whole industrial revolution.

Later one remembers the contributions of Hans Bethe, a nuclear physicist, who demonstrated the nuclear fusion reactions occur inside the sun. He did it theoretically, but his calculations were based on astronomical knowledge. And, of course, fusion is now considered to be a possible energy source.

Fusion, incidentally, operates at the level below 1 percent efficiency. That is a technical calculation, which I could go into, but I don't think you want to.

Dr. FIELD. Quasars appear to operate at 10 percent to 100 percent efficiency. That is to say, they apparently are extraordinarily efficient in converting raw mass into energy almost to the limit imposed by Einstein's famous formula, $E=MC^2$.

We are exploring the limits of energy just as our predecessors did from Newton on.

Mr. TRAXLER. Lest the record be left with a perhaps misstatement or an uncertainty, you are not suggesting that if we don't build the space telescope that we ought to scrap the Space Shuttle since it would be a "white elephant?"

Dr. FIELD. No; I would not suggest that. I would say that if the space telescope is scrubbed the agency would be well-advised to undertake a massive immediate reorientation in the space science area because its whole thrust has been to use the Space Shuttle for the space telescope and similar programs. This is in direct response to the interest in the scientific community to press ahead in the areas of astronomy, astrophysics, and cosmology.

This interest is documented in many reports by PSC, SPAC, SSB, and other groups. To scrub the space telescope would appear to be an arbitrary shift in scientific priorities with negative consequences for U.S. science.

Mr. TRAXLER. We have listened to NASA as they have justified the shuttle and they do have a number of other options in mind for it. We are really interested in the space energy approaches and we think it can make a contribution there.

Dr. FIELD. Could I respond to that?

Mr. TRAXLER. Please.

Dr. FIELD. I am interested in space solar energy. But if you will read the National Space Act it explicitly commissions NASA not only to do things which are directly applicable but also to look further into the future and to do fundamental science.

It is in that framework that we can defend the space telescope.

Mr. TRAXLER. They reminded us of that. Where is the cost in connection with the construction of the telescope, is it in the lens or where are the costs, how do they break out in relation to the telescope?

Dr. FIELD. You may be aware that it is really a mirror, not a lens. It is a reflecting surface by which the light is brought to a focus. And there are several subsystems which are crucial to the operation of the space telescope; one is the optical telescope assembly, costed at roughly $100 million. As I mentioned, this cost was pared down in response to this committee's action.

Mr. TRAXLER. Yes.

Dr. FIELD. I believe it would be difficult to reduce costs further.

Mr. TRAXLER. If we could pick you up a used mirror, would it save you at least $100 million?

Dr. FIELD. No; because the mirror blanks themselves are relatively cheap. The space telescope budget allocates only $3 to $5 million for them.

Mr. TRAXLER. We want to thank you for your testimony. It has been most enlightening.

Dr. FIELD. Thank you, Mr. Chairman.

HUD—SECTION 202

WITNESS

RICHARD M. MILLMAN, SPECIAL COUNSEL FOR HOUSING MATTERS, NATIONAL COUNCIL OF SENIOR CITIZENS, INC.

Mr. TRAXLER. We are pleased to welcome Mr. Richard Millman, the special counsel on housing matters, National Council of Senior Citizens, Inc., who is going to be talking to us about section 202, funding of the Department of Housing and Urban Development.

Mr. MILLMAN. Thank you, Mr. Traxler, Mrs. Boggs, my name is Richard Millman, and I am the special counsel on housing matters to the National Council of Senior Citizens.

Mr. TRAXLER. At this point we will place your complete statement in the record.

STATEMENT OF RICHARD M. MILLMAN

We sincerely appreciate the opportunity to discuss the 202 program with you again.

The enactment of the Housing and Community Development Act of 1974 marked a giant step toward meeting the housing needs of this Nation's elderly. We are extremely grateful for the unqualified support of the members of this committee for the passage of this law. While it has taken HUD longer than we all anticipated to implement the revived section 202 program, we believe that the Carter administration has recognized the merits of this program and that it uniquely serves a special need. As a consequence, it is our understanding that Secretary Harris is pressing her staff to implement the section 202 program for fiscal 1977 as soon as possible. In fact last Friday HUD published an invitation to nonprofit sponsors to submit applications for the program.

In our testimony today, we wish to discuss three topics: The first concerns the projected funding level for the program; the second the continuation of technical language concerning loan duration, minimum capital investment, and program eligibility, and the third concerns the availability of section 8 assistance for 202 projects.

PRESIDENT CARTER SUPPORTS 202

In the second televised Presidential campaign debate, President Carter specifically referred to the section 202 program as a model housing program which would have a beneficial impact on the Nation's economy by creating jobs. Since then President Carter has reaffirmed this commitment when he stated, "The section 202 program, which successfully provides housing for the elderly and handicapped, must be expanded."

How can this pledge be implemented within the constraints of finite resources and many demands of programs and groups to meet real human needs?

It is clear that given the new budget processes of Congress that the new Carter administration did not have time to implement its own priorities for fiscal 1978. At HUD, a new Secretary, unfamiliar in her first weeks in the Department was asked to analyze the Ford budget and submit changes. Yet the personnel on whom she had to depend were Ford appointees. Given the opposition of the former administration to the program, one could not have expected a request for an increase.

Mr. Chairman and members of the committee, the elderly do not have time to wait any longer. It has been almost 3 years since the 202 program was revived and no units are completed. Only two projects have gone to construction. We cannot wait another year for the Carter Presidency to take hold and transform the Government into the Carter administration. The burden is on Congress, with its continuity and expertise to assist the President during this period of transition to meet his goal of an expanded 202 program.

1978 FUNDING

The Housing Authorization Act of 1976 increased the authorized borrowing level for the 202 program in fiscal year 1978 by $912.5 million over the fiscal year 1977 level. We respectfully request that the committee consider recommending this amount as the program level for fiscal year 1978. Although this figure represents an increase of $162,500,000 over the administration's request, it would only provide for the construction of approximately 30,000 units at 1977 costs of construction. Moreover, this amount is actually only $12,500,000 higher than the actual lending authority exercised by the Ford administration for section 202 in fiscal year 1976.

Although Congress appropriated $750 million for section 202 in fiscal year 1976, HUD dipped into the fiscal year 1977 appropriation for $150 million of lending authority to augment fiscal year 1976 projects. On the average, fund reservations were based upon 100 units at an anticipated development cost of approximately $25,000 per unit. HUD found, however, that bare project feasibility required a significantly larger project size and higher per unit costs. Increases were therefore granted, using fiscal year 1977 appropriations, which brought the average project size—according to HUD data—up to 123 units. Simply said, HUD required a total lending authority of $900 million to fund fiscal year 1976 section 202 units.

The result is lending authority available in fiscal year 1977, of only $600 million. This clearly magnifies the necessity for Congress to assure that sufficient lending authority be granted in fiscal year 1978 to meet a 30,000 unit goal.

The National Council of Senior Citizens recently conducted a survey of fiscal year 1976 202 sponsors. Questionnaires were sent to 1976 202 sponsors, and responses have been received, to date, from approximately 25 percent of the fiscal year 1976 202 projects. The figures gathered showed that the dollar cost of feasible 202 projects is greater than HUD's original estimates, and also confirms the need for $912 million in fiscal year 1978 if 30,000 units of production is to be maintained.

Let me provide you with some representative examples. Responses from eight Florida area projects show that HUD fund reservations were granted at a development cost estimate of $23,000 per unit. Actual development costs, which includes the related facilities such as congregate dining and crafts rooms as mandated by section 210 of the Housing and Community Development Act of

1974 are running on the average of $30,000–$32,000 per unit there. In region 8, including Colorado, Utah, Wyoming and Montana, Fund Reservations were granted at the level of $28,000 per unit, but again, actual development cost experienced there by 202 sponsors runs from $31,000 to $32,000 per unit.

In its Report on appropriations for fiscal year 1977 for the 202 program, this committee recommended a program level of 30,000 units. HUD's own budget request for fiscal year 1978 reveals that the $750 million requested will not fund 30,000 units. The sum of $912 million may come close to doing the job.

TECHNICAL LANGUAGE

In addition to our appeal to the members of this committee to provide sufficient funding for the section 202 program, we solicit your continued acceptance of technical language within the appropriations measure to insure (1) that the section 202 program continue to provide long-term permanent financing, (2) that the section 202 program continue as a vehicle for nonprofit sponsors only, and (3) that utilization of the program by nonprofit sponsors will not be blocked by costly thresholds or long-term commitments upon their limited resources. As you will recall, during consideration of the fiscal year 1976 and 1977 appropriations measures, there was a necessity for the committee to underscore its support for these principles. While we do not question the integrity of those who are administering the program, Congress should clearly mandate the program format so that those who have opposed the section 202 program and the role of non-profit sponsors will not have broad latitude to again thwart the program's progress.

Mr. TRAXLER. I was just thinking of the local housing commission, in one of the cities in my district. I thought they had applied for 202 funding.

Mr. MILLMAN. Some did. But they were rejected because it is not consistent with the appropriation of the funds.

Mr. TRAXLER. Right.

202/8—A MARRIAGE IN TROUBLE

This committee recognized several years ago that the success of the new 202 program was in large measure dependent upon an efficient and effective joining of the 202 loan with the section 8 subsidy. This concern was clearly expressed in the House Report (94–1027) on the 1976 second supplemental which stated:

While the committee recognizes the necessity of providing this backup assistance, it is concerned that the complex and complicated procedures and requirements associated with section 8 could seriously hamper the development of the sound housing for the elderly program.

Unfortunately this concern has turned into prophecy. However, egorts are now underway in the housing authorization committee to streamline 202 and 8 joint processing and we hope these efforts will prove successful. Of more immediate importance to this committee is the availability of section 8 funds to meet the needs of the 202 units to be funded in fiscal year 1977, as well as those for 1978.

The report of the Senate Appropriations Committee accompanying the HUD Appropriations Bill for 1977 stated:

The committee recognizes, however, that rent supplementation is vital to the successful operation of these units once constructed. The committee is concerned that limitations on section 8 contract authority for new construction may have an adverse effect on the abovementioned 30,000-unit goal. Therefore, notwithstanding any set-asides or limitations on the use of section 8 authority for new construction or substantial rehabilitation contained in this act or in HUD regulations, it is the intention of this committee that sufficent section 8 contract authority be made available in fiscal year 1977 for 100 percent of the section 202 units contemplated.

Despite this directive, section 8 funds earmarked for 1977 202's were released by HUD on February 22, 1977 for area office use.

In making supplemental appropriations this fiscal year, this committee made its intention clear that these 1977 202's were to be covered by the supplemental if the original funds were not available—and the Senate echoed these sentiments.

As I previously mentioned, HUD issued an invitation for fund reservations for 1977 202 last Friday. However, this invitation differed from that issued last year in that successful 1977 202 applicants will not receive 1977 section 8 funds but must await the availability of 1978 section 8 funds for their projects—and these funds will come from area office allocations without a central office set-aside. In all fairness to the new administration, the delay in implementing the 1977 202 program until late in the fiscal year has made it unlikely that any 1977 202 could actually use section 8 authority during fiscal 1977. However, it would seem that a strong statement by this committee in the form of a legislatively mandated central-office set-aside of section 8 funds in fiscal year 1978 for 202 projects—would be appropriate—lest history repeat itself. Before the problems of unified 202 and 8 processing can be resolved a unified, consistent, and reliable funding relationship between the 202 loan and the section 8 subsidy must be made.

SUMMARY

Mr. Chairman, we believe that the proposals made today are reasonable. The modest increases in funding requested will only guarantee a stable construction level for the program. The technical language requested will greatly assist program administration. Finally, the section 8 set-aside requested will guarantee the availability of the subsidy funds so necessary to the success of 202.

I think you for your kind attention and would be glad to answer any questions that you might have.

Mr. TRAXLER. We appreciate your comments. And particularly your recommendations for fiscal year 1978.

As you know, the budget request was for $750 million. By the time you add to the 1977 request, we hope will be the supplemental appropriation for 1977, you get $850 million for 1977.

Mr. MILLMAN. You had $750 million in 1976. The Ford administration itself augmented that $750 million by $150 million, by dipping into the $750 million that you were authorized for 1977—bringing the amount for 1976 up to $900 million. We only had, until the conference report, today $600 million left.

Mr. TRAXLER. Yes.

Mr. MILLMAN. That's based on the Secretary's statement. So you went from $900 million in 1976, you dropped down——

Mr. TRAXLER. But we did not have a budget request.

Mr. MILLMAN. No. But this committee gave us $900 million essentially without any budget request. I think you eventually got that budget request. And you got no request for a supplemental and you gave us $375 million.

But what I ask you to understand is this: the requests that came up here were the Ford administration requests. Understand the frame of mind of the Carter administration, given President Carter's statements over and over again to expand the program, and I can't believe that this committee would not do what is the President's desire. Because I think in a year from now, when it becomes truly a Carter administration, the President is going to be well aware, and ask for the expansion.

He's on the record over and over—he has promised the people in Time magazine; 75 million people saw it on the second debate—for this committee to cut down on this program after all these public expressions of the President would just be—well, I think it would be the greatest shock to the elderly of this country that anybody has experienced.

Mr. TRAXLER. He could send a supplemental request. They have to be aware of this. If they are talking about 30,000 units, they have to be aware that $750 million will not do it. How can you explain the fact that we have not heard from them?

Mr. MILLMAN. I can't explain it except to say that it hasn't become a Carter administration. They have not had enough time to understand the program. They have not, you know, been there long enough to develop their own position on it. After all, their requests went in almost a week after the new Secretary took office.

One other point I would say that's important, that in regard to the section 212(a) language, I would like to point out that this committee did state in the HUD appropriations bill for 1977, it is the intention of this committee that sufficient section 8 authority be made available in fiscal 1977 for 100 percent of the 202 units contemplated. That was released on February 22 by the Secretary.

Thereafter she came before this committee and the Senate in a supplemental request for 202 funding. And 202 funding was provided. That that section 8 request, even though diminished in part was not to be diminished as far as 202. That is to say 202 was to get 100 percent funding.

Again, in the advertisement for new invitations which was published in the Federal Register on Friday, page 716, the Secretary says she does not have enough section 8. Now, perhaps this can be rationalized in the sense that we'll not have construction starts this year and she hopes she can use 1978 appropriations of section 8 for these projects. But unless we have this same problem arising next year, and if you really intend this program to be utilized with section 8, and it won't work otherwise; then I suggest to you that there is need for a strong statement by this committee in the form of a legislatively mandated central office set-aside of section 8 funds in fiscal year 1978 for 202 programs. Now, without that this program is in serious jeopardy.

Mrs. Boggs. Mr. Chairman, I think that it is really extremely important that we legislatively mandate this, because there is confusion on the part of the new administration, and I think that this would indeed clear up a lot of the confusion for them.

Mr. Millman. Yes.

Mrs. Boggs. It would make it easier for the Secretary to carry out the legislative intent, if indeed there was strong legislative language that mandated a central office set-aside.

Mr. Millman. I concur wholeheartedly in that observation.

Mr. Traxler. Yes. We will surely be considering that during our markup. And that is a good point for those of us who are in favor of that section 202 financing.

Did you have any other questions?

Mrs. Boggs. I would appreciate it, Mr. Millman, if you would address yourself to the problems that we have encountered in the 202 program: the policy of imposing section 231 limits.

Mr. Millman. Well, the 231 limits in a great number of States have been hindering the development of the 202 units.

First of all, the 231 insurance program did not contemplate the development of the kinds of units with the ancillary facilities as mandated for 202 by section 210 of the act. Hence, it is an arbitrary limitation which has no place in this program. In fact, I would say it is inconsistent with the legislative history and intent with this program. I am advised that Congressman St Germain will be offering two amendments in the House designed to eliminate the 231 limits and substitute a standard which is more related to the proper 202 development.

Mrs. Boggs. I have copies of his amendments here. And I believe that his intention thereby is again to set down in unqualified legislative language that there was no statutory limitation that we meant to impose in the previous law.

Mr. Millman. They are in the nature of clarifying legislation.

Mrs. Boggs. Yes. Essentially, they say that the law is amended by stating the following:

> * * * which costs shall be determined without regard to mortgage limits imposed with respect to housing projects insured under section 231 of the National Housing Act.

And the other is:

> * * * in carrying out the provisions of this section, section 8 of the U.S. Housing Act, the Secretary shall implement regulations as soon as practicable after the date of enactment of the Housing and Community Development Act of 1977 which shall provide that the processing of any application for loans for a project under this section and the processing of any application for assistance under Section 8 with respect to housing units in the same such project shall be coordinated in an economical and efficient manner.

Mr. Millman. That is very important.

Mr. Traxler. Do you have anything further, Mrs. Boggs?

Mrs. Boggs. The committee has often expressed its concern about the overly complex section 8 processing, the costs involved and other types of problems that might seriously affect the 202 program.

Has this, in fact, happened?

Mr. Millman. Yes.

Mrs. Boggs. What would you propose to do about it?

Mr. MILLMAN. We have conducted a survey. Our questionnaires went to all of the recipients of 202 funding this far. They went out about a month ago. To date we have received responses from 25 percent of those recipients.

And that 25 percent survey shows the following: One-third of the group have gone to final proposal stage, and one-third of the group are still in preliminary proposal stage. Preliminary proposal stage is where the section 8 processing starts. It has taken anywhere from two to eight months to get projects through that preliminary process stage.

What I have suggested is, consistent with the legislative intent, and Congressman St Germain again has an amendment to carry this into effect, that if you focus on the underwriting aspects of 202 that is, the scope of the unit and how much it ought to cost, just get the mortgage amount fixed, the only thing you need to worry about in terms of section 8 processing is, how much is the dollar amount to construct, what is the interest rate, and what are the operating expenses? That will give you a figure per year. How much section 8 you get is then a mathematical problem.

The section 8 processing as now contemplated is for a nonconstruction program. That is to say, the Government is not constructing. All the Government is saying is, we will give you so much allowance, if you get your mortgage money.

We have only two starts thus far. And one of those is an old 236 that was in the pipeline for a long time.

So I am encouraging all of that legislative effort to do away with this duplication. We need the subsidy, but we don't need the duplication of processing that straight section 8's go through.

Mrs. BOGGS. Thank you so much, Mr. Millman.

Mr. MILLMAN. Thank you.

Mrs. BOGGS. You have been extremely helpful to the committee in its deliberations on a program which is so very important, the only program for housing—adequate housing—for the elderly and handicapped.

Thank you very much.

Mr. MILLMAN. Thank you.

Mr. TRAXLER. There is great interest on the part of some of the members of this committee, speaking for myself, we are not too far away from being tenants, you know, in this kind of facility.

Mrs. BOGGS. It is enlightened self-interest for me.

Mr. MILLMAN. In 1972 I was asked to testify before the Senate Banking Committee. And I developed some statistics based on a White House Conference on needs—levels of appropriation. Based on the amount of money we are considering putting into housing for the elderly, it would take 186 years to catch up with the admitted, demonstrated needs.

When we readopted this program in 1974, it was significant to me that the Senate said in its report that this program is envisioned as the primary tool for meeting the needs of this Nation's elderly. Those needs are here and now and the elderly don't have very much time to wait.

Mr. TRAXLER. That is well said.

Mr. MILLMAN. I ask for your support.

Mr. TRAXLER. We thank you for your presence and for your testimony. And it certainly will be considered at markup.

Mr. MILLMAN. Thank you very much.

HUD-COLLEGE HOUSING/NASA

WITNESSES

FATHER T. BYRON COLLINS, S.J., SPECIAL ASSISTANT FOR FEDERAL RELATIONS, GEORGETOWN UNIVERSITY
FATHER WILLIAM L. GEORGE, S.J., SPECIAL ASSISTANT FOR FEDERAL RELATIONS, GEORGETOWN UNIVERSITY
DR. STEVE CHESTON, ASSOCIATE DEAN, GRADUATE SCHOOL, GEORGETOWN UNIVERSITY
FRANK MILLS, OFFICE OF THE VICE PRESIDENT, BOSTON COLLEGE

Mr. BOLAND. We will next turn to Father Byron Collins.

You are all appearing with reference to the same topics?

Father COLLINS. No. Dr. Cheston is interested in the program of NASA, as it pertains to colleges and universities.

Mr. BOLAND. Who will lead off?

Father COLLINS. I thought I would start.

Mr. BOLAND. You are pleased with the position of this administration, are you not?

Father COLLINS. We are getting excellent cooperation and understanding from the new Secretary. There is only one——

Mr. BOLAND. Are you getting more than understanding?

Father COLLINS. Well, the regulations aren't out yet, so until they are published we are not sure.

Mr. BOLAND. Fine.

Father COLLINS. Mr. Mills and I would first like to offer a comment thanking the committee for its continued interest in the program and to reiterate that there is in our opinion still a need to continue a limited program, which would use the funds that are provided by repayments. The limited program would help alleviate a critical housing shortage. We are here representing two such instances. I personally know of other instances across the country: Colleges and universities that have, because of their particular circumstances, a limited need. There is a proposal that is being considered in the regulations on the college housing program that would allow the funds to be used for energy programs, energy conservation.

We question the wisdom of this. The provision of funds for energy savings methods would be a massive program. From the information given by the college housing center, if you use the returned funds to make the dormitories more energy saving, the lowest figure across the Nation is over $1 billion, for that program.

The amount of money that's available per year is roughly $70 to $80 million. We would like to ask the committee to consider the language that they had last year, that puts in the criterion of critical housing shortage. That's what the program is for and it's across the country. There is a fellow institution here in the District, American

University, which has because of particular circumstances, a desperate need of the program. Georgetown itself has one. Mr. Mills can speak for Boston College.

Mr. BOLAND. Thank you. We are delighted to welcome Frank Mills, vice president of Boston College in charge of finance. I didn't think you had any fund raisers up there for Boston College. I thought it was all over.

Mr. MILLS. It will never be over, Mr. Chairman.

Mr. BOLAND. We are glad to have you here. I presume that you speak in the same vein as Father Collins, and whatever you have to say we will be pleased to hear you.

Mr. MILLS. Mr. Chairman, I have no prepared statement but I have some written thoughts I would like to share with the committee. Boston College supports the continued existence of the program for loans for college housing. We now house over 4,700 undergraduates out of a total enrollment of approximately 8,200. The increasing applicant demand for housing has now reached the point where approximately 80 percent of our applicants for enrollment from many parts of the United States including the northern area, ask for housing accommodations. The last dormitory which we built opened in the fall of 1975, and which houses 792 students, was the subject of a debt service grant from HUD for which we are very grateful. Fortunately for us the transfer of the property of Newton College of the Sacred Heart to us in June of 1974 relieved our then housing shortage by another 735 beds. We still have a shortage. At the beginning of this semester 700 applicants were listed as waiting for accommodations.

Boston College is considering constructon of another 800-bed dormitory on campus, which we estimate will cost approximately $10 million, including equipment and furnishings. Women student applicants need on-campus housing and the growth in numbers of female applicants indicates a strong demand.

We believe that the first priority for the use of funds available should be for the relief of critical housing shortages for campus building. Thank you.

Mr. BOLAND. How many are housed in college facilities on campus now?

Mr. MILLS. Approximately 4,700, Mr. Chairman.

Mr. BOLAND. You have 8,200 attending the undergraduate school?

Mr. MILLS. Right, sir.

Mr. BOLAND. Do you require freshmen to live on campus?

Mr. MILLS. No, we do not. We still have some commuter freshmen.

Mr. BOLAND. I'm not talking about the day students, I'm talking about the students who find it necessary to get housing somewhere off campus because housing is not available on campus.

Mr. MILLS. We don't require it, Mr. Chairman, because we don't have the space.

Mr. BOLAND. How about Georgetown?

Father COLLINS. Yes; Freshmen. We give an option to the upperclassmen. Our backlog is about the same as Boston College. About an 800 proven demand for the last 5 years, to which we are unable to supply housing. We also have another problem of housing that is so old that to meet the existing building codes it would cost us more to renovate than to build a new facility.

Mr. BOLAND. You have a problem in one of your facilities. You don't think it will meet the building code for the District of Columbia; is that correct?

Father COLLINS. That's correct.

Mr. BOLAND. Mr. Mills, you say you are housing 735 at the new College of Sacred Heart now?

Mr. MILLS. That's right.

Mr. BOLAND. That is now the scene of the law school?

Mr. MILLS. That's right.

Mr. BOLAND. What else is based there beside the law school?

Mr. MILLS. Dormitory and dining facilities for undergraduates, plus the law school library, which is not totally law school. Part of the library space is for undergraduate purposes. We are now developing a new art center at the Newton campus.

Mr. BOLAND. How did you acquire that? By purchase?

Mr. MILLS. Mr. Chairman, the Newton College of the Sacred Heart as a corporation was in trouble. They got together with some of our people and it was agreed they would transfer the property to us for our assumption of their debts.

Mr. BOLAND. Do they still operate the day school?

Mr. MILLS. It's a separate operation and is continuing to function.

Mr. BOLAND. It's on the grounds?

Mr. MILLS. No; it's a separate piece of property.

Mr. BOLAND. It's not on the grounds of the Newton college?

Mr. MILLS. No.

Mr. BOLAND. That's a beautiful piece of property. Well, thank you very much. We will place your statements in the record at this point.

[The complete statement follows:]

STATEMENTS OF REV. BYRON COLLINS, S.J. AND REV. WILLIAM L. GEORGE, S.J.

Our statement on the college housing program is brief. First, we thank the committee for their continued interest in this college housing construction which has benefited over 2,000 colleges and universities throughout the entire United States.

In last year's appropriations bill the House and Senate reports made specific reference to this program, as follows:

House Report.—"In the report accompanying the 1976 HUD-independent agencies appropriation bill, the committee directed the Department to utilize repayments of principal on outstanding loans for a limited college housing program targeted at specific areas of need. Although there is no longer any requirement for a national college housing loan program, the committee continues to observe that some institutions are experiencing domitory shortages. Therefore, the Department is directed to use repayment on outstanding loans to continue the college housing program in 1977 for projects that have been started but have only partial permanent financing and for projects that are phased programs including approved master plans, with the first phase constructed or under construction."

Senate Report.—"The committee directs the Department to use the remaining fiscal 1976 college housing funds and to continue the program through fiscal 1977 for projects that have been started but have only partial permanent financing and for projects that are phased programs, including approved master plans, with the first phase constructed or under construction."

On January 14, 1977, the HUD college program office published proposed regulations, which contained three priorities for evaluation of applications in the following order:

1. Dormitory projects for which the construction contract was executed on or before August 3, 1976.

2. Rehabilitation or alteration of existing dormitories to improve fuel economy or otherwise reduce operating cost.

3. New construction or acquisition of dormitories for institutions which have a current severe housing shortage.

By letter dated January 24, 1977, to Secretary Harris we gave our comments on the proposed criteria and recommended that the priority criteria for a limited program should follow the recommendations of Congress; namely, projects underway and for meeting critical shortage needs—Copy letter and reply attached.

As we have stated, there is a continued limited need for the use of capital repayment funds to continue this program for specific critical housing shortages. The overall enrollment in the colleges and universities is stable over the last few years at in excess of 11 million. One reason for the continued limited housing need is the greater percentage there now is of women students and they are a priority for on campus housing. Another reason is that some facilities have become so substandard that they no longer are in compliance with housing codes, the national norms, or OSHA standards.

Another factor contributing to this limited need is that some institutions have a demand for housing far in excess of beds available even though some institutions have increased the number of beds available without the help of the college housing program (see attached excerpt from Report on Residence Hall Occupancy Trends Resurveyed by Dale W. Meador of the Association of College and University Business Officers).

Georgetown University is an example of an institution with a limited critical housing shortage. It is obligatory, except in special circumstances, for freshmen to live on campus. When their needs have been met the remaining beds are not sufficient to meet the demands of the upper classes, and, therefore, the beds are assigned by lottery. However, there is a constant shortage of about 200 beds each year. About 250 of the present Georgetown beds are so seriously substandard that they fail to meet the District of Columbia Housing Code or OSHA requirements. Indeed, we foresee the possibility of being forced to move the students from these facilities in the very near future.

In summary Georgetown University has an immediate critical need for 502 more student beds at a cost $7,1000,000.

We understand that Boston College and our sister institution in the District, American University, are also experiencing a housing shortage, and also the University of Wisconsin at Madison.

GEORGETOWN UNIVERSITY,
Washington, D.C. January 24, 1977.

HON. PATRICIA ROBERTS HARRIS,
Secretary, Department of Housing and Urban Development,
Washington, D.C.

DEAR MADAM SECRETARY: May God's blessings and wisdom be yours as you undertake your new office.

We believe that no one is more qualified to deal with our housing problems than one who understands the basic elements of running a household.

There is a small, but excellent, HUD program called the college housing program. Georgetown University in association with other colleges and universities has struggled to keep this program viable. We have testified before the House and Senate HUD Appropriations Committees concerning this program.

Proposed rulemaking regulations for the program were issued on January 14, 1977, in the Federal Register. Enclosed are our comments which, we believe, demonstrate that section 279.15 priority criteria should be substantially modified.

May we meet with you or the appropriate member of your staff to discuss our comments? An early appointment is requested because the deadline for comments is 30 days from January 14, 1977. We can be reached at 625–4411.

On behalf of our president, Timothy S. Healy, S.J., we thank you for your consideration of our request.

Sincerely,

T. BRYON COLLINS, S.J.
WILLIAM L. GEORGE, S.J.

LOANS FOR COLLEGE HOUSING COMMENTS ON PROPOSED RULEMAKING

Section 279.15, priority criteria.

(1) This priority criteria is in accord with the direction of Congress and should be retained—cf attached House and Senate Reports on H.R. 14233—HUD Appropriations for 1976–77.

(2) We believe that this priority which deals with the rehabilitation or alteration of existing dormitories to improve fuel economy or otherwise reduce operating costs should be dropped for the following reasons:

(*a*) It would open a demand for funds far in excess of those available, which are estimated at between $70–$90 million per annum. The National Association of College and University Business Officers has done a study—copy attached—which estimates that such a program would cost in excess of $1 billion.

(*b*) We believe that this program is directly opposed to the intent of Congress—cf attached House Report No. 94–1220 and Senate Report 94–974.

(*c*) There is also a serious question under the authorizing legislation whether this program, which does not provide any additional living space or replacements of substandard housing can be adopted as a national program.

(3) We believe this priority criteria is in accord with the intent of Congress and should be retained.

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT,
Washington, DC., February 11, 1977.

Rev. T. BYRON COLLINS,
Office of the President, Georgetown University, Washington, D.C.

DEAR FATHER COLLINS: Thank you for your thoughtful letter and that of the Reverend William L. George, concerning the Department's proposed regulations relating to the College Housing Program.

As you know from the letter to you from Mr. Joseph Burstein, Acting Deputy Assistant Secretary for Housing, your comments will receive full consideration in drafting the final College Housing Regulations.

Sincerely,

PATRICIA ROBERTS HARRIS

[Excerpt from Report on Residence Hall Occupancy Trends Resurveyed]

(By Dale W. Meador)

FULL-TIME ENROLLMENT

At the beginning of the 1974–75 academic year, ACUHO member institutions in the United States and Canada enrolled approximately 3.9 million students. Member institutions responding to the residence hall occupancy survey reported enrolling 3,153,326 full-time students in the Fall of 1974 representing approximately 81 percent of all students enrolled at colleges and universities with membership in the association.

Full-time enrollment among member institutions increased 2.8 percent between Fall 1973 and Fall 1974, with the greatest percentage increase coming from colleges and universities in the mid-atlantic region (5.3%) and the lowest percentage increase among institutions in the Great Lakes region (1.4%).

Public colleges and universities reported an average enrollment increase of 3.1 percent with the highest growth percentage coming from the mid-atlantic region (7.0%) while the northeast region increased 5.9 percent and the southeast region increased 4.1 percent. Modest average increases in enrollment (1.5%) were found in the northwest and California regions. Full-time enrollment among private member institutions increased, on an average, less than one percent (.7%) with significant enrollment increases coming from the Southeast Region (6.0%) and the California region (4.0%). Three regions reported a loss in enrollment with the most significant decrease being in the intermountain region (6.7%).

STUDENT BEDS AVAILABLE

ACUHO member institutions have the residential capacity to provide residence hall accommodations for approximately 1.1 million students. Member institu-

tions completing the residence hall occupancy survey reported having residence hall student beds available to accommodate 925,110 students at the beginning of the 1974–75 academic year representing approximately 83 percent of all residence hall accommodations provided by members of the association.

The number of beds available among member institutions increased slightly (.7%) with public and private institutions equally sharing the increase. Not all regions, however, increased the number of available beds. The greatest percentage increase in the number of student beds available was found in the mid-atlantic (3.1%), California (2.7%), and northeast (2.0%) regions, while the intermountain region reported 3.3 percent decrease in the number of student beds available. All other regions reported a change not exceeding 1 percent.

Among public institutions the greatest percentage increase in the number of student beds available was found in the mid-atlantic (4.5%), California (3.1%), and northeast (1.5%) regions, while the intermountain region reported a 2.5 percent decrease in the number of beds available.

STATEMENT OF REV. T. BYRON COLLINS, S.J. AND REV. WILLIAM L. GEORGE, S.J. REGARDING NASA PROGRAM

Congressman Boland and members of the committee: We are T. Byron Collins, S.J. and William L. George, S.J., assistants to the president of Georgetown University and with us today is Dr. T. Stephen Cheston, Associate Dean of the Graduate School of Georgetown University.

In recent years there has been an emerging recognition by citizens groups and academics that certain concepts for the large scale utilization of space offer an avenue for growth in our industrial and energy production capacity that is environmentally attractive. In this regard I would point to the concepts of Dr. Kraft Ericke on space industrialization, Dr. Peter Glazer on satellite solar power states and especially Dr. Gerard O'Neill on space manufacturing facilities.

The development of these creative and promising approaches to solving our problems of pollution and resource depletion can be furthered through programs in NASA's Offices of Space Flight Operations and Space Research and Technology.

H.R. 4088 calls for supporting space flight operations in the amount of $270.8 million which includes $5 million for advanced programs to undertake studies on space industrialization. In addition H.R. 4088 authorizes $101.7 million for space research and technology which has a number of programs that provide information useful to the development of space manufacturing and industrialization concepts.

I strongly urge the committee to appropriate the full authorized amounts for these line items in the belief that these appropriations will be very valuable investments in the industrial and environmental health of the country.

Mr. BOLAND. Dr. Cheston, we would be pleased to hear you.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Dr. CHESTON. I have a couple of brief comments. I understand the authorizing bills for NASA have passed the full House. I would support the full amounts that have been authorized. One particular item I would like to invite the committee's attention to is $5 million for the advance programs of space flight operations to undertake research on space industrialization. This program gives colleges and universities the opportunity to use their resources to develop ideas that will provide valuable information in establishing a meaningful national goal for the use of the shuttle. Some of these ideas include using orbiting facilities for production of products and energy, which is a very intriguing idea, in view of the fact that these are low pollution facilities, and have a number of advantages over our current techniques. Thank you very much.

Mr. BOLAND. Are there any questions? Thank you very much. It's always a pleasure to see you, Rev. Collins and Rev. George Nice to see you, Dr. Cheston.

WITNESS

MAX R. KARGMAN, PRESIDENT, NATIONAL ASSOCIATION OF HOUSING MANAGERS AND OWNERS

Mr. Boland. We will now turn to Mr. Max Kargman.

Mr. Kargman. The National Association of Housing Managers and Owners represents owners and managers who operate projects containing over 600,000 units across the country.

My personal background: I am a lawyer, a Ph. D. from Harvard, an occasional lecturer at the Kennedy School of Government at Harvard, as well as a guest lecturer at Harvard Law School, Harvard School of Design, and the Sloan School of Management at MIT. I was chairman of the Commonwealth Service Corps—the Massachusetts forerunner to national VISTA program—under both Democratic and Republican governors, and I am past chairman of the Committee on Subsidized Housing of the Developers' Council of Greater Boston, whose membership speaks for some 23,000 subsidized dwelling units in the Greater Boston area. Over the past 15 years our firm, the First Realty Co. of Boston, has developed and now manages approximately 3,600 dwelling units under sections 221(d)(3), 236, and 200 of the National Housing Act—making us perhaps one of the larger developer-managers of such housing in the New England area. I personally grew up in the slums of Chicago. I know housing problems of poor people as a participant as well as a manager.

I would like to thank this committee for allowing me to share with you my concerns and the concerns of subsidized housing owners, managers, investors, and tenants throughout the country about the serious defects now existing in the subsidized housing programs created by Congress over the past 15 years and our even greater concern about the way HUD has been administering these programs for the past 8 years.

When Congress created sections 221(d)(3) and 236 of the National Housing Act during the sixties, it believed that creating low and moderate income housing at rents which tenants could afford could be done by means of a mortgage interest subsidy of 3 percent in the case of 221(d)(3) and 1 percent in the case of 236 projects and that tenants' incomes—this is the key point—would rise to meet increases in operating expenses.

While this underlying assumption—that operating expense increases could be absorbed by rising tenant incomes—may well have had validity during the sixties—as far back as 1970—this fundamental premise upon which the existing subsidized housing programs were erected, crumbled and collapsed in the face of the unparalleled inflationary spiral.

Yet, since the problem began to appear in 1970, both Congress and HUD have failed to correct this fundamental weakness in the existing subsidized housing programs. Today, in the Boston area, for example, 60 subsidized developments have been assigned to HUD, comprising approximately 6,800 units of housing.

Mr. Boland. What were most of those?

Mr. Kargman. Section 221(d)(3)'s primarily and some 236's.

On a national scale, defaults and assignments of existing subsidized housing developments are running upwards of 60,000 units per year. These units are now on the verge of foreclosure by HUD—with disastrous consequences for HUD, project owners, and tenants alike.

Let me illustrate the problem. In 1970 the income limits for section 221(d)(3) subsidized housing in Boston was as follows: 1 person—$6,700; 2 persons—$8,150; and 3 and 4 persons—$9,600. The average rent for subsidized housing during that period was $140 for a one bedroom, $170 for a two bedroom, and $200 for a three bedroom apartment. By 1977, HUD had raised income limits on an average of 23 percent. Rents required to operate projects in Boston come to $235 for a one bedroom apartment, $260 for a two bedroom, and $290 for a three bedroom, an increase on the average of 50 percent.

As operating expenses began to escalate at a much greater rate than incomes, these families found themselves required to use an ever greater proportion of their income for rents.

Our Government had taken these tenants out of bad housing, improved their living quarters and was now presenting them with the choice of foregoing groceries and other necessities in order to keep their homes or simply move back to substandard housing.

Tenants across the country whose expectations of a better life had been raised by the opportunity of leaving behind their previous substandard housing in favor of new and decent homes at rents they were promised they could afford, were being forced out of such housing since they could no longer afford to pay the higher rent. To them the Government was simply saying: "Our programs require new income limits and new rents. You don't fit the criteria any more. Very sorry—move back to your old slum."

What did low- and moderate-income tenants do when faced with these choices? Many went on rent strikes, picketed and joined up with radical organizations rebellion and anti-Government slogans.

Many tenants attempted to organize and block police officers when the courts ordered them to move. Many tenants began to cry out for the imposition of rent control on HUD projects or attempted to challenge HUD-approved rent increases in the Federal courts.

Tenants who qualified for federally funded legal assistance sought out lawyers who did everything in their power to keep clients in possession. The Federal Government now finds itself in the paradoxical position of funding the legal expenses on both sides of the conflict because sections 221(d)(3) and 236 when enacted, did not contemplate the extraordinary increases in operating expenses which began in 1969 and were further exacerbated by OPEC.

Sadly enough, it was all predicted in HUD studies as far back as 1971. The HUD Office of Research and Policy Development did a study in 1971 which demonstrated that all sections 221(d)(3) and 236 housing would go into inevitable default because expenses were rising far more rapidly than tenants' incomes. Operating subsidies were recommended.

It was inevitable that many projects defaulted in mortgages payments, and the mortgagees called on HUD's insurance fund. A recent study by Citizens' Housing and Planning Association of Boston shows that in Boston 60 percent of HUD's subsidized units are in default or foreclosed.

What did HUD do to address this problem of providing decent housing at affordable rents during this period? When this problem was posed by the home builders to James Mitchell in 1974, when he was Under Secretary of HUD, he said HUD doesn't believe in any of these programs. "They should all be foreclosed out and that's the end of it."

In the storm of protest that followed, HUD Secretary James Lynn disavowed Mitchell's statement. However, when Secretary Lynn moved to OMB James Mitchell went with him as an aide.

When Congress partially addressed the problem by allowing limited operating subsidies for section 236 projects under section 212 of the Housing and Community Development Act of 1974 HUD refused, and even under the new administration has not yet begun to implement section 212 operating subsidies, even though 10 U.S. district courts and 2 U.S. courts of appeal have ordered them to do so.

Under the previous administration, a ruthless and irresponsible foreclosure policy began to go into high gear. Only when the public outcry became embarrassing did the previous administration soften its stance.

In February 1975, former HUD Secretary Carla Hills declared a moratorium on foreclosures of HUD multifamily projects with mortgages in default. When former Secretary Hills appeared before the House Subcommittee on Manpower and Housing of the House Committee on Government Operations on October 7, 1975, she said that HUD is "now making every effort to develop new programs which will deal with the problem" of the "steadily increasing" default, assignment, and acquisition of federally assisted multifamily housing.

Did former Secretary Hills keep that promise? She did not. On January 7, 1977, less than 2 weeks before the new administration was to take office, Secretary Hills lifted the moratorium on foreclosures. Her press release of that date stated:

"Secretary Carla A. Hills said HUD has completed what it set out to do under the moratorium—provide extra financial aid to those projects capable of recovery but needing more help than available under conventional forms of financial assistance. Secretary Hills said she was pleased to be able to withdraw this partial moratorium. She said its original purpose, to defer foreclosures pending development of additional financial measures, had been met through innovative use of the section 8 housing assistance program.

In fact the Boston area office has committed not one penny of section 8 money to HUD assigned projects.

What happened after January 7 is of great interest.

On January 14, 1977, Senator Brooke telegramed Secretary Hills and stated the following:

As a result of HUD's decision of January 7, 1977, to lift its moratorium on housing foreclosures, there are many projects in Boston that are in danger of imminent foreclosure. I am deeply concerned about the effect that such action would have on the low- and moderate-income tenants now living in the projects in question. I, therefore, strongly urge that you restore and expand the moratorium in order to hold all foreclosure sales until the new administration has had an opportunity to explore this issue and develop a new strategy to resolve this problem.

On January 19, 1977, Secretary Hills wrote back to Senator Brooke. She stated, in part:

* * * with respect to those projects which you identified in the Boston area, I want to assure you that this Department is cognizant of certain factors which have tended to compound the financial difficulties facing project owners (for

example increasing taxes and utility costs). In recognition of these problems, a task force has been established by the Acting Director of the Boston area office. This task force by attempting to develop a coordinated strategy to insure that subsidized housing projects in Boston remain available as decent, safe, and sanitary housing at rentals the current tenants and/or the market population can afford.

The Department will await the results of the task-force report before taking any further action regarding foreclosure of these projects located in the Boston Area.

In short, then, due to the pressure of Senator Brooke, those tenants investors, managers, and owners fortunate enough to be located in the Boston area are temporarily protected against foreclosures which HUD is not in the process of carrying out elsewhere in the country.

The Boston area office found that when it foreclosed, it sold for 8 cents on the dollar as an average. The citizens' housing and planning study shows HUD receiving 1½ cents on the dollar. Many of these projects could immediately be taken out of the insurance fund and could pay off HUD in full if they were given section 8 funds.

One of my projects was fortunate enough to receive such section 8 funds. That project went immediately from 20-percent vacancies and the immediate threat of being assigned to HUD and thus draining the insurance fund of $3.5 million to immediate reinstatement and 100-percent occupancy.

Mr. BOLAND. How many units?

Mr. KARGMAN. 200.

Mr. BOLAND. All subsidized under section 8 now?

Mr. KARGMAN. Yes.

A member of the developers' council had a subsidized project with 40-percent vacancies due to the high cost of utilities. The project hadn't made a mortgage payment in over a year. With section 8, the project became 100-percent rented and developed a waiting list of 40 persons within 4 months. The mortgage is current.

These two projects receive section 8 funds because they were not yet assigned to HUD. Projects assigned to HUD were given no aid whatever in Boston.

Mr. COUGHLIN. What do you mean by "assigned to HUD"?

Mr. KARGMAN. The mortgage default is usually held by GNMA who then calls upon the insurance fund and assigns the mortgage to HUD. GNMA will give some extensions of time when the mortgage first defaults and after that time runs out, then they call on the insurance to get their money back and return the mortgage to HUD.

So does GNMA do that, which makes the 3-percent mortgages on the 221(d)(3) loans. They also assign them to HUD——

Mr. COUGHLIN. You are saying projects not assigned to HUD can get the funding.

Mr. KARGMAN. That is what happened in Boston. They left it up to the area directors and they decided that's the way to save the insurance funds, by funding those about to be assigned. But if they had just been assigned to HUD, well, they didn't have enough money to do both.

Mr. COUGHLIN. Does that mean the title is transferred to HUD?

Mr. KARGMAN. The mortgage. The mortgage is assigned not the ownership.

Mr. BOLAND. The ownership never gets into HUD unless there is a takeover, a foreclosure.

Mr. KARGMAN. Of course.

Now, Mr. Chairman, we have not come merely with complaints. We have come with suggested solutions. Attached is a memorandum showing how HUD could use conversions of section 221(d)(3) projects to section 236, plus section 212 operating subsidies to reinstate some projects and with the aid of section 8 accompanied by section 223(f) could reinstate all other projects which furnish a "decent home and a suitable living environment."

The sad irony is that units which were built for as low as $13,000 and provide decent housing are being foreclosed while units which cost $30,000–$35,000 are being produced to fill the same need. Section 8 funds could aid twice as many families if they were required to be directed into aiding existing subsidized developments prior to producing new ones.

What we ask today is that Congress act to make sure that the national housing policy insofar as it concerns section 221(d)(3) and section 236 housing is not subverted and destroyed.

We have suggested a clause to 12 U.S.C. section 1713 which would solve the problem on an interim basis and halt irresponsible foreclosures. The amended clause is expresesd by italic letters. The present law immediately follows it.

(k) The Secretary is authorized either to (1) acquire possession of and title to any property covered by a mortgage insured under this section and assigned to him, by voluntary conveyance in extinguishment of the mortgage indebtedness, or (2) institute proceedings for foreclosure on the property covered by an such insured mortgage and prosecute such proceedings to conclusion:

Provided, that no proceedings for foreclosure shall be instituted where the property covered by any such insured mortgage is serving the policy of the National Housing Act, as set forth in section 1441 and 1441a of title 42, by providing safe and sanitary living quarters for low- and moderate-income families at below market rents, unless the Secretary shall determine that there exists a surplus of safe and sanitary living quarters for low- and moderate-income families at comparable rents in the housing market served by the property.

The Secretary at any sale under foreclosure may, in his discretion, for the protection of the general insurance fund, bid any sum up to but not in excess of the total unpaid indebtedness secured by the mortgage, plus taxes, insurance, foreclosure costs, fees, and other expenses, and may become the purchaser of the property at such sale.

The Secretary is authorized to pay from the general insurance fund such sums as may be necessary to defray such taxes, insurance, costs, fees, and other expenses in connection with the acquisition or foreclosure of property under this section. Pending such acquisition by voluntary conveyance or by foreclosure, the Secretary is authorized, with respect to any mortgage assigned to him under the provisions of subsection (g) of this section, to exercise all the rights of a mortgagee under such mortgage, including the right to sell such mortgage, and to take such action and advance such sums as may be necessary to preserve or protect the lien of such mortgage.

In conclusion, Mr. Chairman, today there is no way many of the low- and moderate-income families in existing subsidized housing

throughout the country can meet the rents required to sustain such housing. Forty and even 50 percent of a tenant's income are often required to meet the present rents. Most owners and managers cannot even ask for the required rents. A recent Boston Globe article of March 31 stated the problem well when it said: "People usually don't need better housing; they are just paying too much rent."

The Boston Area Office of HUD in its recent task force report on subsidized housing defaults summarized the impending crisis as follows: Since 1970, operating costs have increased by more than 68 percent while median family incomes are up by only 28 percent. An estimated 62 percent of tenants in HUD-assisted projects are paying in excess of 25 percent of their incomes for rent. If it weren't for rental assistance, 97 percent would be paying in excess of 25 percent.

What the Boston Area Office task force report has requested is an immediate allocation of 6,000 section 8 units for distressed projects in the Boston area. During 1976, the Boston office of HUD allocated more than 4,000 section 8 units to 43 distressed projects in a 3-month period. Every single 1 of those 43 projects is current on its mortgage today, though most were on the verge of assignment prior to receiving section 8.

The alternative is unthinkable. To quote the task force report: "HUD may eventually have to face a charge that it is directly or indirectly responsible for the effective displacement of thousands of low- and moderate-income families in these areas, with little prospect of standard housing being available to them at a rental they can afford.

Allocation of section 8 funds to cure the inherent defects in the existing subsidized housing programs under section 221(d)(3) and section 236 is a wise investment for the Government.

In the Boston area today, while new construction of subsidized housing requires about $5,000 of section 8 subsidy per year, decent housing at rents tenants can afford can be provided for with $1,800 per unit for HUD-distressed projects. Thus 2½ times as many people could be served under such a program. Furthermore, section 8 would allow many of these projects to go back to FNMA thus paying off HUD 100 cents on the dollar rather than the present 7 cents on the dollar which HUD is getting through foreclosure.

This is not a program of using section 8 funds to fill vacant existing apartments. This is a program of fulfilling the promise to existing low- and moderate-income tenants who are suffering greatly from subsidized housing programs that were not designed with the inflationary spiral in mind.

Today, we talk of the benefits of putting Federal dollars into areas where neighborhood revitalization is underway. We talk about the jobs which new construction of subsidized housing would provide.

But if we fail to address the impending crisis in the existing subsidized housing programs and these projects are foreclosed, then we will be fulfilling a national policy of neighborhood devitalization. The demoralizing effect will have a snowball impact on urban neighborhoods where such housing exists throughout the country. The National Association of Housing Managers and Owners would not like to see such a thing happen.

Mr. BOLAND. That is a legislative problem, really.

Mr. KARGMAN. Yes.

Mr. BOLAND. Let me ask you, about the investment in Boston, they manage over 3,600 dwelling units under 221(d)(3), 236, and 220. That is over the past 15 years.

How many do you have presently? How many units are you managing?

Mr. KARGMAN. That is it. Thirty-six hundred right now.

Mr. BOLAND. Are all of the units subsidized?

Mr. KARGMAN. No; 347 are nonsubsidized and the rest have all been subsidized.

Mr. BOLAND. How many 236 units do you manage?

Mr. KARGMAN. There are perhaps a little less than 1,500 236 units.

Mr. BOLAND. Were most of the 236 units newly constructed?

Mr. KARGMAN. Yes.

Mr. BOLAND. Where are they located?

Mr. KARGMAN. One is in Fall River. One is in Brockton.

Mr. BOLAND. None of these have been taken over by the Department?

Mr. KARGMAN. No; many of the mortgages have been assigned——

Mr. BOLAND. Many have been assigned to HUD?

Mr. KARGMAN. Yes; Many of the 236's have been assigned and a few have not. Even in the few that have not, I think this illustrates the problem, as we come into this rent increase period of 1 year or 2 ago, when HUD set the rents required, we asked for less.

We could not implement it, because we would have a tenant strike and we would be in terrible trouble, so we got people to ask for less rents than HUD allowed in many projects.

Now we are facing it again, because the gap is closing, on even those that are successful. We have one in Cambridge—dividends, by the way, are long gone. There haven't been any dividends paid to anybody for 4 years, but more than that, where we have been able to—where the tenants have changed enough so that new tenants have come in to replace the old, where there has been turnover, where the tenants were fairly stable, as in east Boston, we are dead, because there is no way those tenants can pay the rents that are required to maintain the mortgage and the operating expenses.

In that case, Boston rent control, when they considered rent increases, they considered tenants' incomes, in which case many times they didn't give us the increases that even HUD gave us.

We have a suit in Federal court on that. It's a serious problem. A 1971 study we found in HUD said this is inevitable and it means every project is headed for some kind of foreclosure ultimately, because if they had lasted this long, well, they are good for another 2 years.

HUD reports that 50,000 to 60,000 a year are coming back in default.

Mr. BOLAND. We have a new Secretary now, some new kids on the block. Maybe we will have some new programs. Thank you very much.

NATIONAL INSTITUTE OF BUILDING SCIENCES

WITNESS

MR. O. M. MADER, CHAIRMAN, NATIONAL INSTITUTE OF BUILDING SCIENCES

Mr. BOLAND. We will now turn to Mr. O. M. Mader, Chairman, National Institute of Building Sciences.

Mr. MADER. Good morning, sir. I have two jobs today. I am vice-president of the consumer group for the Aluminum Co. of America, and I am also serving by White House appointment as the first Chairman of the National Institute of Building Sciences.

I know you have a busy schedule and I appreciate the opportunity to make a statement. I have prepared and submitted a formal statement; however, I think I can cover the same ground in perhaps 5 to 10 minutes speaking informally from some airplane notes made this morning.

From a fiscal standpoint, our problem seems large to us; however I realize that it probably is small in comparison with most of the matters you are dealing with here today. Nevertheless, NIBS was created by Congress and does need your further support if it is to accomplish the tasks that Congress has asked it to perform.

I believe a brief history of NIBS might be as illuminating as anything else I might say. The concept began in the 1960's with the Douglas Commission, which made an intensive study of a number of urban problems, including building codes and other regulations.

The Commission found that there was a great multiplicity of building codes and standards—actually, over 8,000 administering agencies throughout the country—that these codes and standards, were not uniform in their requirements, and that they were not being uniformly interpreted even where they did agree.

They found that the existing regulatory system was difficult to keep updated from a technological standpoint. It was hard to introduce technological improvements. As a result, the Commission concluded the regulatory system was discouraging new technology development in housing and building and constituted a serious inhibition to advancement of the building process generally, and achieving cost effectiveness, specifically.

So, the Douglas Commission recommended creation of a national institute that would become an authoritative national source of information, on the subject of criteria, standards, and other provisions for codes and other regulatory instruments.

The Commission also hoped that such an institute would become the mechanism for providing leadership in the entire building community, public and private, in organizing itself for the purposes of encouraging and accepting new building technologies.

Congress replied to the recommendations of the Douglas Commission by calling for the establishment of NIBS in the 1974 Housing Act. Even though the action was taken as a part of the Housing Act, the scope of NIBS was clearly defined to include all classes of buildings, not just housing.

The act further provides that NIBS is to be a nonprofit nongovernmental organization. In addition, Congress, in that act, stipulated that NIBS is to become self-sustaining within a 5-year period after its creation, and that during this organizational period, the Congress would provide seed funds. The initial NIBS Board of Directors, by terms of the act, and reappointments and new appointments for these first 5 years was required to be appointed by the President of the United States with the advice and consent of the Senate. This Board of Directors, of which I was appointed and confirmed as first Chairman, was to act as organizers and incorporators of the institute.

The Board was to consist of 15 to 20 members, selected both from the public and private sectors of the building community, but always with a majority on the public side.

We now are operating with 18 directors. They were nominated last May by the President, with Senate confirmation in June and swearing-in in July. The first formal meeting of the Board of Directors was convened in August. And at that first formal meeting, the members of the Board were broken into seven basic working groups or standing committees.

We have met monthly since that time as a Board, and, in addition, these working groups have all met either in conjunction with these monthly meetings or separately as their work assignments dictated.

I find the members to be unusually dedicated, with either 100 percent or very nearly 100-percent attendance each time we have met.

So far as the progress made so far, by September 8, we had filed for incorporation in the District of Columbia as a nonprofit corporation and since have been accepted. By the end of December we had completed the first draft of a mission statement which is the Board's interpretation of its charge from Congress.

The draft of that mission statement is included in our formal statement. In October, we made our budget submission to OMB. That budget submission was rather highly detailed considering the very short period we had available to us. It detailed a 5-year program of actions and projects, which were evolved from the mission statement.

It anticipated funding in the amount of the full $10 million that was authorized by Congress for the 1975 and 1976 fiscal years and later amended to fiscal years 1977 and 1978.

It also anticipated the raising and use of an additional $10 million of funding generated from the public and private sectors of the building community that NIBS is meant to serve, in the form of grants, contracts, gifts, and possible service fees also as provided for in the legislation.

The NIBS Board of Directors believe that transition to a self-sustaining character should begin at or occur near the outset and not abruptly at the end of the 5-year organizational period with seed funding. And, the budget submitted to OMB provided for such a transition.

After the budget was submitted to OMB, during November and December, we had two communications from that office in which we were informed that OMB was indeed supportive of the concept of NIBS, that it had directed HUD to provide for appropriate funding for NIBS in the year 1977 through the HUD Office of Policy Development and Research and that it had increased the HUD budget accordingly.

From January to the present, we also have understood from HUD that it, indeed, also is supportive of the concept of NIBS; however, it indicated that it did not feel it an appropriate stance that NIBS be under the HUD budget, in that NIBS is designated as nongovernmental by a mandate of Congress, and intended to deal with more than housing. HUD added that it in no way was aware of any budget increase provided by OMB for this purpose.

Well, to resolve our funding problems—our impasse, if you will—we, as a Board, seek three events in sequence.

The first is the accomplishment of some degree of 1977 supplemental funding from the Congress, which we feel is vital to acquiring the appropriate permanent staff that we need to complete our initial organization, to begin some projects, and to be organized and ready to move forward strongly under 1978 funding.

We were informed of the budget impasse, frankly, too late to make an informative and orderly presentation to this committee. However, since the Senate counterpart of this committee met at an earlier date, we were able to reach them with information regarding our problems. They were most considerate and, about 10 days ago, recommended $500,000 of supplemental 1977 funding for NIBS as an independent entity rather than as a part of the HUD budget.

As I understand it, last Friday, the Senate gave full approval to that action. Of course, it now goes to the conference committee of the House-Senate. We certainly hope that those Members of the House that are on that conference committee will give us their favorable support. That is our first need, and we are optimistic that favorable action will be taken.

The second action we need is consideration for 1978 funding, at a level that will enable us to aggressively pursue the objectives set out for us by the Congress.

The act, of course, provides $5 million in authorization for 1978. The delays we have had in organization, due to the funding impasse, have put us enough behind our own schedule that, in all frankness, we cannot say that we are prepared to use the full $5 million of authorized 1978 money intelligently. We do feel we can pursue some basic projects of value, as underpining for the future, and that funding of $3 million in 1978 can be effectively and progressively utilized.

We earnestly solicit the consideration of this subcommittee for favorable consideration of that amount. It would permit us to organize the consultative council required by the act and which expects to become a national resource of building technology and in a position to be advisory to NIBS. It will be an element of the Institute that can not only encourage new technology but quickly promulgate it, through the existing code system.

We need, of course, to acquire staff and to have other than temporary quarters which are being provided by the National Academy of Science.

Beyond the 1978 funding, the third and last thing that we need is your support to again amend the 1974 Housing Act, to move the remaining authorized funds, which have not been appropriated at this point, into the 1979–1980 fiscal year period.

Mr. BOLAND. Why can't you resolve it with the $3 million or $5 million, if you get it? Incidentally, I am sure you are familiar with budget processing. Why hasn't OMB made some specific request for funding for this Institute?

Mr. MADER. That I have not been able to find out, sir. The early reports we received about the OMB consideration were very favorable and, as a matter of fact, spoke in terms of the amounts I have mentioned this morning.

Mr. BOLAND. Are you talking about the present or past leadership at OMB?

Mr. MADER. This was the Ford OMB, with Jim Lynn as its Director.

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The way it came out, we are mentioned in the budget, I believe on page 407 of the appendices to the budget, under HUD, P.D. & R. But that mention is something like nine words, about five of which consist of the "National Institute of Building Sciences," with no specific amount cited. And, as I have said, HUD has expressed its concern NIBS does not belong under HUD because it does not satisfy the interpretation of the act.

So this is the impasse at which we found ourselves.

Mr. BOLAND. One of the problems, of course, is that this seems to be in line with the recommendation which was instituted by Secretary Romney, when he was Secretary of the Department of Housing and Urban Development, and came in with a plan called "Operation Breakthrough," which he developed and programed to the tune of about $60 million. It occurred to a number of Members of Congress that this is an area that we have a lot of expertise in, building sciences, particularly, in housing.

How far beyond housing do you get? Is it proposed to go beyond that?

Mr. MADER. Yes. Where building codes and standards apply to buildings, we interpret the mandate of Congress to mean that NIBS shall be involved but only from the standpoint of technology—that is criteria and standards for building codes and other regulatory instruments, and the promulgation of technology.

Mr. BOLAND. What are the prospects of this Institute becoming self-sustaining? We have always this argument: Just give us a little seed money to get us started for a couple of years.

As you know, perhaps better than most, it's almost impossible to get rid of a temporary commission—they usually become permanent.

You indicate that this is going to be an Institute that is going to continue on. All you want is the seed money now, and it will become self-sustaining. What sort of assurances do you have?

Mr. MADER. We have explored this, number one, with private foundations and have found a high degree of interest.

Mr. BOLAND. What foundations have indicated some interest in this?

Mr. MADER. We have talked to the Pittsburgh Plate Glass Foundation, we have talked in theory to the Research Foundation of the National Association of Home Builders, although we would not expect that particular association or foundation would have any funding to offer.

We have not explored who would actually provide funds. We have explored whether or not foundations were in a position to support this kind of an activity, since it is closely associated with a specific sector of the national economy, that of the building community.

Now, NIBS will not just involve builders and contractors, it will involve architects, engineers, building owners, managers, public servants in the form of code writers, administrators, building commissioners, fire authorities, so we really feel we can create a broad base of support from the same building community that gave a broad pattern of support to the NIBS concept.

Mr. BOLAND. Is this a self-supporting unit regarding funding as far as Congress is concerned?

Mr. MADER. The authorized funding is $10 million for 2 years, with the phrase, available until expended.

Mr. COUGHLIN. When the Department of Housing and Urban Development was before this subcommittee, I raised a number of questions along these lines. While they appeared to be doing a great deal of work in trying to assist the people to meet the cost of housing, little seemed to be done in bringing the cost of housing down.

The response I got was this had been fairly thoroughly investigated in the breakthrough kind of operation and the fact was, there was no way to do this.

Are we talking about plowing the same ground again with NIBS?

Mr. MADER. That would be a most frightening thought to our Board of Directors.

There were at least six of us that had close involvement in and experience with the Breakthrough project.

This is in no way a desire or an intent of the Board. We are trying to serve the building community, to provide a mechanism by which they can find ways of promulgating appropriate new technology through the existing pattern of regulations.

Operation Breakthrough was, in my mind, unsuccessful.

Mr. BOLAND. Why?

Mr. MADER. Well, it was not really putting all elements of the industry in communication with each other for the development of ideas and technology. It placed these elements in competition with each other to see who could come up with the shiniest new gadgets. That, to me, is not development and promulgation of existing or new technology. It requires a commitment from the building community and an organization effort to make it happen. Not by government pressure, but by movement within the building community itself.

Mr. COUGHLIN. When you talk about building codes and regulations, you are talking about trying to standardize or change local building codes to conform with approved technology?

Mr. MADER. With 8,000 administering agencies in the country today, there are vast differences among some of them, and minor differences among most of them, in requirements.

There are great differences in the interpretation and thus application of regulations and codes. There are as many as 5 to 10 different regulatory instruments that can apply to a single building in a single location. It is even a problem for the professional today to discover precisely all of the regulations that apply to the building that he intends to design and build.

These are the areas where we believe we can make significant contributions—where simplification can be achieved.

One thing I haven't mentioned is that, again, by the direction of Congress, NIBS is expected to lend its influence, whatever influence it can generate, toward the establishment of performance—based on criteria and standards for regulatory instruments in the building industry.

This is quite different from the existing more conventional and restrictive specification-type standards which set forth in detail what constitutes acceptable construction. The performance approach encourages innovation and progress.

Mr. COUGHLIN. Didn't Operation Breakthrough deal with codes? Was that one of the purposes?

Mr. MADER. Only to the extent that those particular projects that were built under phase 3 did not need to comply with existing local codes.

Mr. COUGHLIN. Was that successful?

Mr. MADER. There were enough problems with the Breakthrough program, that the guide criteria established for the program never really got far enough along in their application to determine whether they were effective.

In other words, whether pushing the existing codes aside resulted in more and better housing at less cost. There were financial problems, performance problems, and many other problems.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. BOLAND. Thank you very much, Mr. Mader. We will place your full statement in the record at this point.

[The complete statement follows:]

STATEMENT OF O. M. MADER

Good morning, gentleman.

My name is O. M. Mader. I am chairman of the board of directors of the National Institute of Building Sciences, and I appreciate the opportunity to testify this morning on behalf of that organization.

Startup funding at an effective level is extremely vital to NIBS in achieving the strength and recognition it needs to accomplish the objectives of Congress. It is also vital to earning the broad support of the building community toward becoming self-sustaining within a 5-year period as Congress intends.

A brief history may be useful.

As a part of its findings in the late 1960's, the Douglas Commission reported that the multiplicity and nonuniformity of building codes and standards, as well as the difficulty of keeping them updated, was constraining the development and acceptance of new building technology. These constraints were seen as a serious inhibition to a better building process and to more cost effective construction of all classifications. The Douglas Commission recommended creation of a national institute to provide the organization and leadership mechanism where by all sectors of the building community including government could contribute to a more orderly and progressive system of implementing new and existing technology into the construction process.

Congress acted on the recommendation by creating the National Institute of Building Sciences as a nonprofit, nongovernmental organization. While the creating legislation was included in the 1974 Housing Act, NIBS is intended to deal with the technology related to codes and standards affecting all classes of building construction. Our mission statement indicating our interpretation of the objectives of Congress is attached.

Seed funding of $5 million in each of 2 successive years was authorized by Congress to be available until expended, but NIBS is directed to become self-sustaining within a 5-year period.

Congress stipulated that NIBS be organized by a Board of Directors of 15 to 21 with a majority serving in the public interest. Currently, the board of directors consists of 18 members nominated by the President in May, 1976, confirmed by the Senate in June, and sworn into office in July. Named to assist NIBS in organizing, the National Academy of Science is providing temporary quarters and fiscal administration of a government grant in the amount of $140,000 which was meant to carry NIBS only to the point of budget submission and first appropriation of authorized funds.

The Board has met monthly since August 1976, at which time it organized into seven basic work committees. Those committees have met at least monthly in preparation for board meetings. NIBS was incorporated as a nonprofit corporation in the District of Columbia on September 8. By the end of September first drafts of a detailed mission statement were completed (draft 6 attached).

In October, a budget proposal was submitted to OMB which detailed a 5-year program appropriate to the objectives of Congress and utilizing the $10 million of Government funds authorized plus an additional $10 million of funds NIBS

believes will generate from the building community it serves. NIBS believes it must become self-sustaining in a transitional manner rather than abruptly at the end of the 5-year organization and growth period.

In November and December, NIBS was advised by OMB that the outgoing OMB was supportive of the objectives of NIBS but had directed HUD to provide capital funding for 1977, rather than recommend congressional appropriations of supplemental 1977 distributions, and had increased the HUD budget accordingly. As NIBS understands the HUD viewpoint, that organization has been supportive of the NIBS concept from the outset but does not consider itself a logical general funding source for NIBS, since NIBS is mandated as nongovernmental by Congress and its objectives in the building community are not limited to housing matters. Further HUD does not recognize that its budget was increased by OMB in recognition of the needs of NIBS and could only provide support at a token level, insufficient to permit NIBS to aggressively pursue its charge from Congress.

The board of directors of NIBS views the resolution of its funding problems as depending upon a sequence of three events.

First, supplemental 1977 funding is vital to acquiring full time staff, particularly the President as required by the legislation. Only then can NIBS begin to assume its role in the building community and carry out its obligations as outlined in other recent legislation such as that which requires NIBS to be of assistance to HUD in the establishment of energy performance standards for new construction.

NIBS was not aware of its apparent budget impasse in time to make an orderly and informative approach to this committee regarding 1977 supplemental funding. We were, however, in time to reach Senate deliberations of its counterpart to this committee. We understand the Senate Subcommittee has reported favorably for $500,000 for 1977 supplemental funding of NIBS. That amount would be sufficient to support an active organizing program and definition of projects in readiness for a 1978 appropriations for operating at an effective level. We also understand that the Senate has approved the recommended 1977 supplemental funding. The matter will, of course, now go to conference, and we certainly solicit the support of those House members who will serve on the conference committee.

The second important event is favorable consideration for 1978 fiscal year funding and that is why I am here today. In all frankness, I must tell you that the delays in staffing and organization dictated by the budget uncertainties which developed make it impracticable to organize and to pursue projects which would justify the $5 million authorized by Congress for 1978. We do feel that the $3 million can be intelligently invested toward the objectives of the legislation, and I earnestly solicit your favorable consideration of that amount.

Finally, the third event we will seek is an amendment to the 1974 Housing Act which moves the balance of authorized funds from the 1977–78 period into the 1979–80 period to keep them available for appropriation consideration.

The board of directors and I are encouraged that favorable action on 1977 supplemental funding is a possibility and will permit moving forward organizationally.

The 1978 funding, however, is even more vital in justification of the commitments NIBS needs to make to the building community, to the government activities it is mandated to assist, and to the small but vital key staff it must acquire.

Without light at the end of the tunnel in the form of seed funding at an effective level, the board feels it would have to recommend dissolving the effort to Congress and to the White House. This would be disappointing because we are very committed to the task we were asked to perform—but it would be realistic.

The Board of NIBS and I are very appreciative of your time and attention on what we know is a very crowded docket.

NATIONAL INSTITUTE OF BUILDING SCIENCES

[NOTE.—This document was prepared as a "draft" to obtain further comments from interested members of the building community. The eight strategies outlined in the "missions and strategies" statement below are supported by the more detailed "Outline of currently planned activities and programs" beginning on page 2.]

MISSION

The mission of the National Institute of Building Sciences is to improve the built environment and foster more effective use of the Nation's building resources by stimulating development of needed scientific and technical knowledge and by ensuring that existing and yet to be formulated construction technologies are rapidly introduced into and accepted by the building community. The Institute therefore will pursue activities and administer programs that:

Insure the Institute's acceptance as the nationally recognized source of information needed to encourage the adoption of beneficial procedures and practices in the field of building technology, particularly in relation to the development and use of national performance criteria and standards for building codes, and

Stimulate the creation of mechanisms that foster closer interrelationships among all segments of the building community and promote clear understanding and acceptance of the Institute as a motivating and coordinating force.

Public agencies, private organizations, and educational institutions will be utilized by the Institute to conduct research, develop performance standards, and establish criteria for the testing, evaluation, and prequalification of all those elements that are inextricably a part of the building process and that affect its safety, cost, quality, and efficiency as well as the Institute's acceptance by consumers.

STRATEGIES

To accomplish its mission, the Institute initially will employ eight strategies—it will:

1. Establish the Institute as the authoritative national source of information on building science and technology, performance criteria and standards, and the building process.

2. Identify areas in need of investigation and special study; formulate a building research agenda for the Nation; define the significant issues related to innovation; and stimulate and administer research programs in various public agencies, private organizations, and educational institutions.

3. Develop a system that permits the formulation, promulgation, and maintenance of nationally recognized building performance criteria and standards and other related technical provisions.

4. Create a national system for the evaluation and prequalification of existing and new buildings technologies.

5. Establish and maintain a building regulation information program by assembling data and information on existing codes, standards, and other provisions related to the building process; analyzing all material; creating a data bank; and generating multiple routes of access.

6. Develop mechanisms to demonstrate, at all levels of public and private interest, how the building code process can be coordinated to become a system that consolidates the building community, supports those being regulated, and better serves the consumer.

7. Develop methods for introducing the scientific and technological innovations and performance criteria and standards the Institute promulgates to regulatory officials at the local, State, and Federal levels and for facilitating their acceptance by these officials.

8. Pursue those initiatives that will permit the Institute to become financially self-sustaining.

THE BASIC MISSION

Each of these strategies will be implemented by a series of activities and programs. Activities involve direct action by the Institute, the consultative council, or the Institute's staff. Programs are those studies, investigations, and research efforts supporting the Institute's mission that are to be carried out under contract by various public agencies, private organizations, and educational institutions.

AN OUTLINE OF CURRENTLY PLANNED ACTIVITIES AND PROGRAMS FOR THE NATIONAL INSTITUTE OF BUILDING SCIENCES

Strategy 1: The Institute will establish itself as the authoritative national source of information on building science and technology, performance criteria and standards, and the building regulatory process.

MISSION ACTIVITIES

Organizing the Institute, defining its mission, recruiting staff, and initiating its operation as a motivating and coordinating force in the building community.

Establishing the consultative council composed of representatives from all segments of the building community to insure direct communication between the Institute and that community.

Providing findings that serve the public interest when technical controversies arise concerning performance criteria and standards by creating a Board of Scientific and Technical Inquiry to address these differences and to serve as an impartial authority seeking the scientific truth in reaching conclusions and making recommendations.

PROGRAMS

Short-term

Disseminating information to explain the mission and functions of the Institute to the consultative council and assisting the council in organizing, promoting its efforts, and achieving success.

Organizing a series of regional information conferences for a cross section of the building community to make it aware of the purpose of the Institute and the activities and programs it will undertake.

Creating an Institute literature and publications services department to publish technical and other findings and to disseminate these publications to members of all segments of the building community, consumers, and the general public.

Long-term

Continuing the regional information conference series and, in 1979, introducing all segments of the building community to the Institute data and information system described in strategy 5.

Expanding the efforts of the literature and publications services department to permit the Institute to become the authoritative national source of information on performance criteria and standards and other technical provisions concerning safety, health, and well-being all suitable for adoption by regulating agencies and jurisdictions.

Developing and sponsoring international studies concerned with technological innovation and performance criteria and standards in conjunction with the world building community.

Encouraging and stimulating the design professions to use the performance approach in designing buildings.

Strategy 2: The institute will identify areas in need of investigation and special study; formulate a building research agenda for the Nation; define the significant issues related to innovation; and stimulate and administer research programs in various public agencies, private organizations, and educational institutions.

MISSION ACTIVITIES

Short-term

Convening a series of national symposia to provide the basis for formulation of a national research agenda; identifying the broad issues related to the performance concept; isolating specific technical barriers to the introduction and use of existing and new technologies; and exploring, examining, and debating these issues and recommending specific research and investigative efforts that will lead to their resolution.

Maintaining a prioritized list of research needs concerning building science and technology and performance criteria and standards.

Long-term

Formulating a broad, general policy for future building research efforts that will stimulate innovation and new technological developments.

Promoting programs that respond to the general policy and permit the Institute to periodically advise the public and private sectors of the economy on actions that will insure the rapid and widespread introduction and acceptance of technological innovations.

PROGRAMS

Short-term

Cooperating with the Department of Housing and Urban Development and others in a research program on performance standards for energy conservation in new commercial buildings (authorized in title III of the Energy Conservation

and Production Act, Public Law 94–385). Initiating a study to define the best strategy for developing and promulgating performance criteria and standards.

Surveying current building community research efforts by assessing completed worldwide studies; encouraging and stimulating performance-approach research efforts in all segments of the building industry; and sponsoring research especially needed to fulfill consumer needs but not previously undertaken by others.

Supporting a program to assess the implications of metrication in the American building industry.

Long-term

Sponsoring a research program focusing on the safety of building occupants including the handicapped and developing basic safety performance criteria against which existing criteria may be measured while providing the scientific base needed for future assessments of technological innovations related to safety.

Investigating the degree to which computer aided design (CAD) and similar techniques are employed by the design professions and Government agencies and the future implications of their use and exploring the potential advantages and disadvantages of CAD in terms of architectural and engineering design and the regulatory process controlling conditions of health and safety.

Encouraging the establishment of uniform national performance criteria and standards, that consider regional and zonal differences, for seismic, geological, meteorological, and environmental conditions that have an impact on building design, construction, and use and exploring the economic consequences of these variables in terms of building occupant health and safety and environmental degradation.

Strategy 3: The Institute will develop a system that permits the formulation, promulgation, and maintenance of nationally recognized building performance criteria and standards and other related technical provisions.

MISSION ACTIVITIES

Formulating a policy for, and in cooperation with the consultative council, achieving a national system for the development, promulgation, and maintenance of performance criteria and standards and other technical provisions dealing with health, safety, and well-being in a form suitable for adoption by the various regulatory agencies and jurisdictions. This effort will include the development of test methods and other techniques for evaluating building systems, subsystems, components, products, and materials. Consumer requirements also will be considered.

Identifying responsible and capable research agencies and organizations to undertake development of specific portions of the national system and administering research grants for the work. All such research programs will be organized and scheduled to produce results relatable to those of all the other programs and the system as a whole.

Formally promulgating and maintaining the performance criteria and standards that are developed.

PROGRAMS

Short-term

Identifying those individuals and organizations in the building community possessing special expertise so that it can be brought to bear on the many diverse facets of standards and code development in a scientific manner that will result in an end product that is based on current data.

Inventorying and assessing all publicly and privately generated criteria and standards.

Stimulating coordinated studies to create the mechanisms and related techniques needed to achieve a national system of performance criteria and standards. Particular attention will be given to protecting the interests of the consumer as new building technologies move through the process of evaluation and prequalification into the marketplace.

Long-term

Continuing to contract for those research programs needed to fully develop and keep current the national system of performance criteria and standards.

Strategy 4: The Institute will create a national system for evaluation and prequalification of existing and new building technologies.

MISSION ACTIVITIES

Serving as a liaison between those in the building community in need of technical evaluation and prequalification services and the facilities and laboratories providing those services.

Monitoring the effectiveness of laboratory operations and confirming that they are maintained in a manner that takes cognizance of up-to-date procedures and technological developments.

Formally prequalifying those building systems, subsystems, components, products, and materials that meet the promulgated performance criteria and standards.

PROGRAMS

Initiating a critical review of existing worldwide procedures and systems for evaluation and prequalification.

Encouraging the development of a basic system, complete with procedures and formats, for the Institute to use in evaluating and prequalifying building elements. This effort will be coordinated with the strategy 5 program aimed at identifying regulatory jurisdictions with acceptable standards for evaluation and prequalification.

Identifying existing facilities and laboratories capable of evaluating and testing building elements.

Strategy 5: The Institute will establish and maintain a building regulation information program by assembling data and information on existing codes, standards, and other elements related to the regulatory process; analyzing all materials; creating a data bank; and generating multiple routes of access.

MISSION ACTIVITIES

Formulating a plan for the design of an automated information system; critically monitoring all development programs; and directing and controlling growth until a full and complete system is operational.

PROGRAMS

Short-term

Contracting for the design and development of the total building information system. This will require the development of detailed operating and staffing procedures as well as all the software and hardware needed for data collection, storage, multiple access, and continuous updating.

Initiating a first-stage effort to collect, analyze, store, and make available to the building community all the Federal building criteria, State building codes, and building codes of the political jurisdictions in the United States with a population of 25,000 or more. This effort shall be coordinated with the strategy 3 program that provides for inventories of performance criteria and standards.

Long-term

Continuing the first-stage effort described above and initiating a second stage that expands the scope to include the political jurisdictions in the United States having a population of 10,000 or more.

Developing a multimedia national building sciences and performance criteria and standards library that provides for access through nationwide automated electronic services as well as direct physical processing. The library also shall have a consumer information center staffed and equipped to handle all types of inquiry.

Strategy 6: The Institute will develop mechanisms to demonstrate, at all levels of public and private interest, how the building code process can be coordinated to become a system that consolidates the building community, supports those being regulated, and better serves the consumer.

MISSION ACTIVITIES

Short-term

Convening a series of regional meetings on building code reform as an initial step toward development of a coordinated national delivery system for acceptance of building science and technology and performance criteria and standards.

Identifying Federal agencies presently promulgating and/or enforcing design and construction guide criteria for buildings and conducting a series of joint unification meetings.

Convening a series of meetings between representativs of the building code agencies of the States, municipalities and Federal Government to develop a liaison which will facilitate coordination of performance criteria and standards.

Long-term

Convening a series of regional symposia on building code performance criteria reform designed to solicit input from the entire building community in order to establish performance criteria for a coordinated building code system.

PROGRAMS

Encouraging the adoption of a method that consolidates and coordinates the many different design and construction guide criteria used by Federal agencies.

Encouraging and assisting in the development of a coordinated building code system among the States and municipalities.

Encouraging the adoption of coordinated design and construction performance criteria and standards by both State, local, and Federal building code agencies

Strategy 7: The Institute will develop methods for introducing the scientific and technological innovations and performance criteria and standards it promulgates to regulatory officials at the local, State and Federal levels and for facilitating their acceptance by these officials.

PROGRAMS

Assessing current efforts to provide educational programs for code officials and inspectors at the local and State levels.

Planning and promoting a broad education program for code officials and inspectors.

Strategy 8: The Institute will pursue those initiatives that will permit it to become financially self-sustaining.

MISSION ACTIVITIES

Developing multiple funding activities, including—

Grant funding for general support from private foundations and Government agencies (in accordance with specific provisions of Housing Act of 1974).

Research project funding from industry trade associations, companies, Government agencies, and private foundations for specific projects involving new technology, innovation or the development of new performance criteria, where the Institute is serving in a management capacity.

Subscription support for publications and activity releases of National Institute of Building Sciences.

Membership dues as established for the consultative council of the Institute.

Administrative fees derived from administration of educational aspects of the building code system.

Special publications of the National Institute of Building Sciences.

Administration and management fees derived from projects in the testing and evaluation of new and changed standards.

Administration and management fees derived from special programs generated by congressional actions, this is: (Energy Conservation Act—Title 3-HR 12169).

Service fees derived from data collection and dissemination.

Department of Housing and Urban Development

WITNESSES

VONDAL S. GRAVLEE, VICE PRESIDENT, TREASURER AND CO-CHAIRMAN OF THE COMMITTEE ON FEDERAL GOVERNMENTAL AFFAIRS, NATIONAL ASSOCIATION OF HOME BUILDERS
CARL A. S. COAN, JR., LEGISLATIVE COUNSEL, NAHB
J. DENIS O'TOOLE, DEPUTY LEGISLATIVE COUNSEL, NAHB
CHARLES COPE, DIRECTOR OF FEDERAL PROGRAMS

Mr. Coughlin. We will turn to Mr. Vondal S. Gravlee.

Mr. Gravlee. Mr. Chairman, my name is Vondal S. Gravlee. I am a homebuilder from Birmingham, Ala. I am testifying today on be-

half of the more than 82,000 members of the National Association of Home Builders, the trade association of the Nation's homebuilding industry, of which I am vice president, treasurer, and cochairman of the Committee on Federal Governmental Affairs.

Accompanying me today is Carl A. S. Coan, Jr., NAHB legislative counsel; J. Denis O'Toole, deputy legislative counsel, and Charles Cope, director of Federal programs.

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 livable communities. As such, the policies of HUD have significant impact on the homebuilding industry.

Let me, therefore, provide you with the homebuilding industry's evaluation of HUD's appropriation request for fiscal year 1978.

To deal with the housing needs of lower income families, we support HUD's request for an additional $1.2 billion in annual contribution contract authority to provide for 400,000 units of assisting housing for both the section 8 and the public housing programs.

HUD projects using this additional authority for assisting 172,000 new or substantially rehabilitated units under the section 8 program. We believe that this is only a marginally acceptable level.

To the credit of HUD's new administrators, they have expressed determination to convert reservations into new starts and occupied units. Unfortunately, the previous administrators of HUD were unwilling or unable to deliver on our national commitment to a decent home and a suitable living environment for every American family, so that last fiscal year there were but 34,335 starts under the section 8 program and only 7,626 new starts this year—through December 1976.

Contributing factors to this meager level of production, we believe are: (1) the unrealistic formula used in the calculation of section 8 budget authority; and (2) administrative pressures applied by HUD's central office to encourage localities to tilt their housing asssistance plans toward the use of existing housing.

At a time when the national vacancy rate has dropped sharply and analysts of our national housing situation warn that we are losing ground on the goal of meeting the housing needs of low- and moderate-income families, it seems that the emphasis of the section 8 program should be oriented toward new production.

A program of significant potential for meeting low-income housing needs, is the section 202 program for the elderly and the handicapped. There is a demand and use for this housing in virtually every community in this country.

Private enterprise builders are concerned about serving the housing needs of the elderly, and we also have an interest in seeking the rescission of language contained in the appropriations acts of the past 2 years restricting participation in the program to nonprofit sponsors. We would like the opportunity to compete in the 202 selection process.

It has long been NAHB's position that the section 235 homeownership program is probably the best tool that HUD possesses for extending the benefits of homeownership to low- and moderate-income families. We believe that the report released recently by Harvard-MIT, underscores the fact that the shrinking purchasing power of the home

buyer means that blue collar workers and other average income families who have been the cornerstone of our national homeownership pattern, are not going to be able to enter the new housing market.

Section 235 is one viable, means for assisting these families by reducing the high cost of mortgage interest rates to as low as 5 percent —and by statute to 1 percent—thereby allowing HUD the ability to tailor a family's monthly payment to a myriad of situations.

We have been frankly disappointed that the actual number of starts under this program has been languishing, but our field reports are that HUD has been overcautious in its administration of the section 235 program. In addition, with a few administrative and statutory changes, there is no question in our mind that the program could start producing a substantial number of units.

Should these changes be made, then the approximately $161.1 million of unobligated contract authority would be inadequate for meeting HUD's goal for 100,000 section 235 unit reservations in both 1977 and 1978. We, therefore, request that the subcommittee provide such additional contract authority as may be needed to meet the 100,000-unit level for both fiscal years.

We are disappointed that HUD's budget requests does 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 in the event of a tightening of mortgage funds and sudden rise in interest rates which may well occur in 1978.

One ingredient omitted from President Carter's economic stimulus program was a housing element. The Brooke-Cranston tandem plan can well service the economy by reducing unemployment in the construction industry and providing useful housing with a very low budget impact.

Each new single-family housing start results in the creation of almost 2 man-years of work. The Brooke-Cranston program by offering home buyers 7.5-percent mortgages would directly benefit the many moderate income families who cannot now afford to buy a new home.

Two areas of appropriations that directly affect the ability of private managers to continue their achievements in the management of assisted housing are the recent supplement program and the payment of operating subsidies for the section 236 rental program.

By the end of this fiscal year, all available rent supplement contract authority will have been committed. Those projects requiring additional assistance may receive this support by the recapture of rent supplement contract authority or by subsidies under the section 8 program. However, we do not feel that either approach is an adequate means for dealing with the problem of increased rent supplement contracts required for the payment of rent increase made necessary by higher operating costs. To meet this need, we urge that the $30 million in unappropriated rent supplement contract authority be released.

On the same basis, there is also a need for the appropriation of sufficient additional section 236 contract authority for fiscal 1978 in order

to fund two provisions of the 1974 Housing and Urban Development Act authorizing the payment of "deep subsidies" for low-income families occupying section 236 projects and for the payment of operating subsidies for such projects due to increased tax and utility costs.

NAHB is keenly interested in the development of techniques aimed at preservation of the housing stock of existing neighborhoods and the rehabilitation of neighborhoods where the process of decay has begun. One of the most important tools in this area has been the section 312 rehabilitation program and we support the funding of this program at the level recommended by Secretary Harris.

We, also, support HUD's request for $62.5 million for the section 701 comprehensive planning grant program.

We are supportive of HUD's request for an appropriation of $5 million for an operational counseling program for home owners with defaulted FHA-insured mortgages. We recommend, however, that in addition to this default-oriented program, funds be provided for a program of counseling first-time homebuyers under the sections 221 (d) (2) and 235 programs.

We recognize that no matter how many housing programs there are, the quality of their administration is largely dependent upon the availability of skilled, technical employees to administer the programs.

In recent years, we have been concerned that the high standards of service that were characteristic of FHA in its first 30 years of existence, were being undermined by pointless reorganization schemes, useless paperwork, and a general loss of commitment to the serious business of housing America's people.

Hopefully, this new team at HUD will be able to revive HUD from its moribund state.

During the past 8 years during which the administration seemed to equivocate on the housing production role of FHA, the Department suffered a serious loss of morale and the defection of many technically competent employees.

In order to get HUD, and in particular the FHA, back on the track of meeting both consumer and industry needs, we feel that HUD's request for an additional 1,220 permanent, full-time positions is justified.

In conclusion, we urge that, in reviewing the Department's assignment of personnel, the subcommittee direct the Secretary to provide increased staffing for the Office of Labor Relations in order to provide timely and comprehensive Davis-Bacon wage reviews.

Thank you for allowing me to appear today.

I would like to add that we do support Mr. Mader's previous testimony, to help to develop and research new building techniques. New techniques are something we need badly in our indusrty, and we support NIB's request for $3 million worth of funding in fiscal year 1978.

Thank you again for allowing me to appear today.

[The complete statement follows:]

STATEMENT OF THE NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. Chairman and members of the committee, my name is Vondal S. Gravlee and I am a home builder from Birmingham, Ala. I am testifying today on behalf of the more than 82,000 members of the National Association of Home Builders, the trade association of the Nation's homebuilding industry, of which I am vice president, treasurer and cochairman of the committee on Federal governmental

affairs. Accompanying me today is Carl A. S. Coan, Jr., NAHB legislative counsel, and J. Denis O'Toole, deputy 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 livable communities. As such, the policies of HUD have significant impact on the home building industry. While other Federal agencies such as the Veterans' Administration and Farmers Home Administration play important roles in financing the purchase of new homes by thousands of American families, it is the policies pursued by HUD which define the profile of our national strategy for housing and community development. Let me, therefore, provide you with the homebuilding industry's evaluation of HUD's appropriation request for fiscal year 1978.

HOUSING PRODUCTION AND MORTGAGE CREDIT

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.

To deal with the housing needs of lower income families, we support HUD's request for an additional $1.2 billion in annual contribution contract authority to provide for 400,000 units of assisted housing for both the section 8 and public housing programs. HUD projects using this additional authority for assisting 172,000 new or substantially rehabilitated units under the section 8 program. We believe that this is only a marginally acceptable level.

To the credit of HUD's new administrators, they have expressed determination to convert reservations into new starts and occupied units. Unfortunately, the previous administrators of HUD were unwilling or unable to deliver on our national commitment to a decent home and a suitable living environment for every American family, so that last fiscal year there were but 34,335 starts under the section 8 program and only 7,626 new starts this year (through December 1976). Contributing factors to this meager level of production, we believe are: (1) The unrealistic formula used in the calculation of section 8 budget authority; and (2) administrative pressures applied by HUD's central office to encourage localities to tilt their housing assistance plans toward the use of existing housing. At a time when the national vacancy rate has dropped sharply and analysts of our national housing situation warn that we are losing ground on the goal of meeting the housing needs of low- and moderate-income families, it seems that the emphasis of the section 8 program should be reoriented toward new production.

A program of significant potential for meeting low income housing needs, while also spurring the production of much needed multifamily housing, is the section 202 program for the elderly and the handicapped. There is a demand and use for this housing in virtually every community of this country. Yet, in fiscal year 1976, the funding level of this program was sufficient to handle the selection of only about 200 projects out of over 1,500 applications, and it is anticipated that there will be even more applications for this year's funds with about the same number of projects to be selected as last year.

Private enterprise builders are concerned about serving the housing needs of the elderly and we have a concomitant interest in seeking the rescission of language contained in the Appropriation Acts of the past 2 years restricting participation in the program to nonprofit sponsors. Section 202 authorizes participation in the program by limited dividend sponsors, and we would like the opportunity to compete in the 202 selection process. We do not believe that this change would materially affect the well-qualified nonprofit sponsor, but we feel that it would enhance the program by assuring a source for the continuing excellence of section 202 proposals.

It has long been NAHB's position that the section 235 homeownership program is probably the best tool that HUD possesses for extending the benefits of homeownership to low- and moderate-income families. We believe that the report released recently by Harvard-MIT, America's Housing Needs Update 1978–1985, underscores the fact that the shrinking purchasing power of the home buyer means that blue-collar workers and other average-income families who have

been the cornerstone of our national homeownership pattern, are not going to be able to enter the new housing market. Section 235 is one, viable means for assisting these families by reducing the high cost of mortgage interest rates to as low as 5 percent (and by statute to 1 percent), thereby allowing HUD the ability to tailor a family's monthly payment to a myriad of situations.

We have been frankly disappointed that the actual number of starts under this program have been languishing, but our field reports are that HUD has been over-cautious in its administration of the program. In addition, with a few administrative and statutory changes there is no question in our mind that the program could start producing a substantial number of units. The administrative changes that could help would be to lower the downpayment to the statutory 3-percent level and the interest subsidy to 1 percent and to remove the arbitrary requirement that only 40 percent of the homes built in a subdivision can be financed under 235. Higher mortgage limits, as HUD has recommended, are also needed, especially in the Northeast and California.

Should these changes be made, then the approximately $161.1 million of unobligated contract authority would be inadequate for meeting HUD's goal for 100,000 section 235 unit reservations in both 1977 and 1978. We, therefore, request that the subcommittee provide such additional contract authority as may be needed to meet the 100,000 unit level for both fiscal years.

We are disappointed that HUD's budget requests does 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 in the event of a tightening of mortgage funds and sudden rise in interest rates which may well occur in 1978.

One ingredient omitted from President Carter's economic stimulus program was a housing element. The Brooke-Cranston tandem plan can well service the economy by reducing unemployment in the construction industry and providing useful housing. Each new single-family housing start results in the creation of almost 2 man-years of work. The Brooke-Cranston program by offering home buyers 7.5 percent mortgages would directly benefit the many moderate income families who cannot now afford to buy a new home.

HOUSING MANAGEMENT

In recent years, the field of housing management has become an area of increased focus by HUD. NAHB too is concerned with this subject, because many of our members are actively engaged in the management of federally insured and subsidized projects throughout the country. Today, the professional caliber of the managers of HUD insured projects is one of the major reasons for the significant drop off in the default and foreclosure rate of these properties.

Two areas for appropriations that directly effect the ability of private managers to continue their achievements in the management of assisted housing are the rent supplement program and the payment of operating subsidies for the section 236 rental program.

By the end of this fiscal year, all available rent supplement contract authority will have been committed. Those projects requiring additional assistance may receive this support by the recapture of rent supplement contract authority or by subsidies under the section 8 program. However, we do not feel that either approach is an adequate means for dealing with the problem of increased rent supplement contract required for the payment of rent increases made necessary by higher operating costs. Because of these cost increases, there are going to be very few projects, if any, from which contract authority may be recaptured, and the use of section 8 funds is an unacceptable alternative because it diverts the already scarce supply of money available under that program from serving legitimate program needs. To meet this need, we urge that the $30 million in unappropriated rent supplement contract authority be released.

On the same basis, there is also a need for the appropriation of sufficient additional section 236 contract authority for fiscal 1978 in order to fund two provisions of the 1974 Housing and Urban Development authorizing the payment of "deep subsidies" for low income families occupying section 236 projects and for the payment of operating subsidies for such projects due to increased tax and utility costs.

NAHB is keenly interested in the development of techniques aimed at preservation of the housing stock of existing neighborhoods and the rehabilitation of neighborhoods where the process of decay has begun. Within our association, we have established two special committees to study the problems of rehabilitation and also to study the process of urban redevelopment. Many local homebuilder associations throughout the country have become involved in rehabilitation as part of local community renewal efforts. One of the most important tools in this area has been the section 312 rehabilitation program and we support the funding of this program at the level recommended by Secretary Harris.

We, also, support HUD's request for $62.5 million for the section 701 comprehensive planning grant program. This will permit a reasonable level of funding for all eligible applicants. We do not believe that the limited planning permitted under the community development program is adequate to permit the type of broad comprehensive planning possible under 701. We are particularly concerned that any federally assisted planning fully consider a community's complete range of housing needs, both for the present and in the future. This is required under 701. It is not under the community development program.

We are supportive of HUD's request for an appropriation of $5 million for an operational counseling program for home owners with defaulted FHA insured mortgages. We recommend, however, that in addition to this default-oriented program, funds be provided for a program of counseling first-time home buyers under the sections 221(d)(2) and 235 programs.

STAFFING

We recognize that no matter how many housing programs there are, the quality of their administration is largely dependent upon the availability of skilled, technical employees to administer the programs. In recent years, we have been concerned that the high standards of service that were characteristic of FHA in its first 30 years of existence, were being undermined by pointless reorganization schemes, useless paperwork, and a general loss of commitment to the serious business of housing America's people. NAHB has been pleased by Secretary Harris' announced commitment to meeting the national housing goals as established by our Federal housing laws. The Secretary and the new administration are to be complimented on the selection of a number of outstandingly qualified individuals for key positions within the Department. Several of the individuals selected have had long and distinguished careers in the field of homebuilding.

Hopefully, this new team at HUD will be able to revive HUD from its moribund state. During the past 8 years during which the administration seemed to equivocate on the housing production roll of FHA, the Department suffered a serious loss of morale and the defection of many technically competent employees. In order to get HUD, and in particular the FHA, back on the track of meeting both consumer and industry needs, we feel that HUD's request for an additional 1220 permanent, full-time positions is justified.

In conclusion, we urge that, in reviewing the Department's assignment of personnel, the subcommittee direct the Secretary to provide increased staffing for the Office of Labor Relations in order to provide timely and comprehensive Davis-Bacon wage reviews. Builders have reported that many of the field offices are without adequate staff to accurately determine prevailing wages for residential construction in a locality, independent of the Department of Labor. As construction in the section 8, section 202 and other multifamily programs increases, this is a very serious problem.

Thank you for allowing me to appear today.

Mr. COUGHLIN. Thank you for your testimony. We would expect you to support housing programs.

Mr. GRAVLEE. I think it's a twofold effort.

Mr. COUGHLIN. You indicate on page 3 of your statement contributing to the low level of starts is the unrealistic formula used in the calculation of section 8 budget authority. What is unrealistic about the formula and how would you correct it?

Mr. GRAVLEE. As I understand it, the formula considers every eligible person as having a zero income, and then taking the life of the

contract, which is 15 years for existing, 20 years for new, and 40 years for PHA-aided projects, and multiplying it by the total amount of section 8 contract rent reserved for every unit in the project that will receive section 8 assistance.

Mr. COAN. You now calculate the total possible exposure by the Federal Government. You wouldn't have that unless everyone who received assistance wouldn't have any contribution of rent during any period of the rent contract. We feel that that results in extraordinarily high amounts of money, far beyond what will ever be spent over the term of years of the projects. Furthermore, it thus results in an emphasis toward existing housing under section 8, because there are only 15-year contract period, where new housing will be under 20-, 30-, or 40-year contracts, depending upon the type of program.

Mr. COUGHLIN. You indicated a need on page 6 for a 100,000-unit level for section 235 programs. How much contract authority will that require?

Mr. GRAVLEE. It depends on several things: The reduction in the amount of the subsidy assistance, whether it is down to 3 percent or 1 percent; what the maximum mortgage limits are; and what a family's adjusted income is.

Mr. COUGHLIN. What would you propose?

Mr. GRAVLEE. On the subsidy assistance, we don't have a specific figure, but I think we would recommend a more realistic figure.

Mr. COAN. The present 5-percent level, with the income limits and cost levels, is not sufficient enough to really qualify many families for using 235. Probably this is our biggest problem.

Mr. COUGHLIN. How much contract authority does it require at that level?

Mr. COAN. We can give you figures. We don't have them now. We can give you figures that would have to be based on what the Housing Subcommittee and the Banking Committees do with respect to increased mortgage limits which is pending before that subcommittee here today or this afternoon.

Mr. COUGHLIN. You indicate your support for the expansion of the size of HUD by additional full-time positions. Do you feel that's necessary to expedite the processing of paperwork?

Mr. GRAVLEE. If HUD is going to be an operating Department again rather than a paper-shuffling Department, as many of us builders have come to know it, they are going to have to have additional help. They are trying to revitalize the FHA operation within the Department of HUD, which I think is a most important function of that operation.

Mr. COAN. One of the big problems that occurred several years ago, there was a tremendous increase in the workload at HUD without a resulting increase in people to deal with it. From that came many problems such as poor underwriting practices. That in turn led to an increase in defaulted mortgages a few years ago. We feel there should be an adequate number of personnel to deal with the applications that HUD has. The actual increase in the staffing at HUD has been relatively minor over the past 10 years, in relation to its responsibilities and the workload.

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Mr. COUGHLIN. You don't feel there is an excessive amount of paperwork involved?

Mr. COAN. Oh, yes. We feel that. That should be eliminated and cut back to the bone. We also feel there is a need for bodies to do the job. So that the proper decisions can be made and be made quickly rather than being piled up resulting in the great delays that have occurred.

Mr. COUGHLIN. Let me ask a question in which I have a particular interest. What is your association doing to bring the costs of housing down? It's getting prohibitive for almost anybody.

Mr. GRAVLEE. We are researching new products constantly and new techniques, through our research division, trying to bring our costs down. A lot of our cost increases over the past few years, particularly since about 1970, are costs over which we have no control. For example, I think that interest increase is one of the biggest costs. Regulations have increased at all levels of government, local, State, and Federal. The more the regulations, the more the increase of the cost. In fact, what we are doing many times is actually making the quality of our product so high, that the potential purchaser can't afford to buy it.

Mr. COUGHLIN. Do you think interest expense is the major factor?

Mr. GRAVLEE. It's one of them. The interest cost now in a home is about 11 percent of the sales price. That includes construction interest as well as the permanent mortgage cost.

Mr. COUGHLIN. How much does your association devote annually to research on construction practices?

Mr. GRAVLEE. How much time?

Mr. COUGHLIN. How much money?

Mr. GRAVLEE. I don't have the exact figures, but we work with research contracts for different manufacturers within our research department. Also the department handles research for our own request. I don't remember the exact budget. I don't have the figure. I will be glad to get it for you.

Mr. O'TOOLE. One other thing, something that the committee has an interest is EPA. The other costs that have driven up housing are the cost of developed land. One of the reasons land costs have accelerated so much in the last 3 or 4 years, have been sewer moratoriums and other kinds of no growth restrictions. When that occurs, like in Maryland and Virginia, you can see 4 or 5 years later when that land then is divided, and it's on the market, it's not uncommon to see 20 percent increases in the price of the land. There is a real relationship with what goes on in the housing area and other areas of community development. That's a major component of the higher cost.

Mr. GRAVLEE. On the local level, I know in my own location in Birmingham, Ala., we have a water tax to cover sewer growth, and the EPA came along and made the municipality there have the effluent coming from the sewage treatment plant practically as clear and clean as drinking water. The money going for the extension of sewer lines then had to go in to revamp the program on the plant already in process. The two new large plants in Jefferson County are now under the moratorium.

Mr. COUGHLIN. Thank you. We appreciate your testimony and your appearing here today.

WITNESS

JACK H. SHIVER, PRESIDENT, NATIONAL ASSOCIATION OF HOUSING AND REDEVELOPMENT OFFICIALS

Mr. Coughlin. The next witness is Mr. Jack H. Shiver, president of the National Association of Housing and Redevelopment Officials. Welcome.

Mr. Shiver. Mr. Chairman, if it would be appropriate, I would like to submit the statement and hit two or three quick points.

Mr. Coughlin. We will include your statement in the record at this point. Thank you.

[The complete statement follows:]

STATEMENT OF JACK H. SHIVER

Mr. Chairman and members of the subcommittee, I am Jack H. Shiver, president of NAHRO, the national, professional association of local individuals and agencies serving this Nation's housing and community development needs for over the past 40 years. I also serve as the executive director of the Norfolk, Va., Redevelopment and Housing Authority. I am pleased to appear before you this morning to present NAHRO's recommendations for fiscal year 1978 appropriations for various housing and community development programs.

My testimony and recommendations this morning reflect the local experience of NAHRO's membership in administering assisted housing and community development efforts, as well as the extensive program monitoring activities and policy deliberations undertaken by our association over the past 2 years. It is crucial that those responsible for the eventual local administration of programs and the delivery of Federal resources be involved as program changes and funding levels are considered at the Federal level. In addition to this expertise, our association has undertaken an extensive monitoring project of the new community development block grant program. Our second-year report is recently completed and I would ask permission to include in the record of this hearing a summary of findings from this second-year effort. With the benefit of this local experience and data, our membership feels a responsibility and is in a unique position to translate administrative experience into policy recommendations. Early in 1976, the NAHRO Board of Governors adopted a major policy statement (The New American Realism: "Save and Rebuild America") against which public programs and private actions could be measured in evaluating their contribution to a national policy of saving and rebuilding this Nation's neighborhoods, villages, towns and cities. In support of and consistent with this direction, NAHRO's policy emphasis during the past year focused on the development of new programs in the areas of housing, neighborhood conservation and city rebuilding. Our recommendations today will be consistent with both our general and detailed policy actions.

We feel that it is important to approach these hearings and advance our short-term funding recommendations in a manner consistent with both longer-range program needs and an overall urban policy framework. We are hopeful that this year's appropriations process can be a positive step towards both a narrowing of the gap between local needs and resources and the development of a clear and consistent national urban policy.

NAHRO RECOMMENDATIONS FOR COMMUNITY DEVELOPMENT

Our monitoring studies of the community development program highlight positive aspects of the new program, areas of continuing concern and several serious program shortcomings. In a positive sense, the advent of the community development program has expanded, in comparison with predecessor programs, the areas and people affected by these efforts, both within communities and as to the number of communities. The program has been adapted to address local needs through

a broadened diversity of approaches. It has resulted in a simplified and, it seems, improved working relationship between the Federal Government and local governments. The approval time for applications has been greatly reduced by the shift in the Federal role to evaluating performance, rather than reviewing documents submitted prior to implementation. There is an increased awareness on the part of local governments and citizens of the need to deal with local community development problems.

Our monitoring effort continues, however, to isolate exacerbating areas of concern with the implementation of the block grant program. There was a significant decline in the proportion of second-year funds expended for the national objective of "the elimination of slums and blight." Further, our second-year data indicates that the tendency to locate activities away from the low- and moderate-income areas and toward moderate- and middle-income areas intensified, with the proportion in low- and moderate-income tracts dropping from 51 percent to 44 percent. Finally, block grant funds were dispersed among census tracts within a locality to a significantly greater degree than was true in the first year.

Mr. Chairman, these concerns continue to highlight the need for Congress and HUD to assure that the community development program is truly focused to give maximum feasible priority to activities benefiting low- and moderate-income persons or aiding in the prevention or elimination of slums and blight. We believe this necessary refocusing can be accomplished by regulatory change, without legislative amendments or significant increase in Federal or local administrative burden. Efforts to sharpen the focus of the community development program must include, however, careful consideration of the relationships between the national program objectives and the allocation system for the distribution of funds. In our opinion, the current formula system is an extremely imperfect mechanism for the distribution of funds. In the initial program years, the hold-harmless mechanism minimized the potential and obviously harmful consequences associated with a reduction of funding for many older center cities, as well as other communities which took the initiative to address problems of blight prior to community development.

The hold-harmless distribution patterns, however, also evidence inequities. Certain cities can no longer justify guaranteed annual funding based on their program needs in comparison with other discretionary recipients. Many others, however, need annual funding on an assured basis far in excess of their static hold-harmless levels. In sum, resources must be allocated in accordance with needs corresponding to the primary national objectives of the program.

We applaud the efforts by both the prior and the new administrations to develop a more rational allocation system. NAHRO supports the appropriation of $4 billion for community development activities as proposed by the new administration for fiscal year 1978. While clearly recognizing that inequities will result from any formula allocation system, we also endorse in concept the allocation and funding changes recommended by Secretary Harris. These proposals go a long way toward reversing many serious problems of the present system. NAHRO supports the dual formula concept as it recognizes the special needs of our older cities and mitigates the financial loss that many large cities will face with the phaseout of hold-harmless. We believe, however, that metropolitan cities which will experience significant losses—over 20 percent—in relation to prior funding levels should be given a first opportunity to receive proposed urban development action grants if such cities meet qualification standards and develop acceptable programs. In cases of severe fund loss—over 50 percent—the Secretary should also consider giving priority to these cities for other forms of discretionary funding. Finally, in addition to the new proposed formula factors, the Secretary should be directed to develop and, when appropriate, utilize a cost-of-living adjustment factor in the proposed second formula.

For cities under 50,000 population, we endorse the administration's proposals giving priority to comprehensive programs and allocating metropolitan balances on a State basis. These cities which develop comprehensive programs to eliminate or prevent slums and blight, provide housing for lower-income persons, and improve community facilities and supporting services, should be eligible for approval of a multiyear application that would make possible predictable annual funding to complete the activities proposed in the application. Under such an approach, the Secretary would evaluate an application for multiyear discretionary grants according to certain objective factors, such as those in the dual

formula, and according to the past performance of the applicant, the status of its ongoing programs, and the quality of its comprehensive plan.

We endorse the administration's appropriation request of $100 million for the urban renewal completion fund. This additional funding source is necessary in order to respond to the moral and contractual obligations which continue to exist as a result of prior urban renewal and neighborhood development efforts. At the beginning of fiscal year 1977, HUD estimated that $453 million was necessary to meet currently outstanding temporary loan deficits. Additional costs associated with completing activities in accordance with local plans have been estimated at $300–$500 million. Completion funds should be available for both deficit financing and approved activities. While the appropriation request is insufficient in response to this demand, this 3-year completion fund, in conjunction with block grant funds, will allow communities greater discretion in addressing these pending commitments and in allocating block grant funds for new activities.

We are supportive of the concept embodied in the administration's proposal for urban development action grants at the proposed level of $400 million. As part of the administration's overall urban strategy, this proposal is designed to provide the Department with the capability of flexibly responding to local needs and opportunities that require responses generally outside the context of the other community development tools. NAHRO believes that the urban development action grant effectively addresses certain imbalances and imperfections in other community development initiatives. As previously stated, the action grants should be used to help overcome the immediate impact of the sharp decline in community development assistance experienced by some communities under the dual formula. Certainly, the sudden loss of major quantities of Federal funds coming into a community is as distressing to the economy of that community as the loss of a major private facility. The action grant, other conditions being met, can help to overcome these adverse impacts. Further, action grants give special recognition beyond that provided in the dual formula to the phenomenon of urban decline. By having this flexible tool available, HUD and the communities it serves can capture opportunities for reinvestments that will generate jobs and tax revenues that might otherwise be lost. The action grant can be a helpful instrument in overcoming some of the inequities that result from major shifts in population and economic activity taking place in the country. By wedding public and private funds to projects with the likelihood of succeeding, the action grant can provide psychological leverage for further reinvestment that might otherwise not happen. If one were to conceive of the community development block grant program generally as one devoted to the gradual maintenance and modernization of urban areas, then the action grant could be conceived of as that program to assist in capturing those immediate opportunities requiring a different set of financial commitments, over a slightly longer period of time than possible under the current block grant program.

Beyond these considerations of fund allocation, NAHRO believes that other elements of the block grant program need to be examined and modified. We fully support the proposal of the administration to remove economic development from the confines of the provision on public services and to give it a standing of its own as a separate eligible activity. Communities need the flexibility to undertake economic development activities of a kind and in the location best suited to their individual circumstances: We firmly believe, however, that the definition of economic development should be governed by these principles: first, the beneficiaries of the activities should be low- and moderate-income persons residing in the community; second, the activities must be in support of a comprehensive community development plan and program; and, third, where appropriate and to the maximum extent possible, block grant funds for economic development should leverage other public and private resources. Further, we are concerned by our monitoring fundings which document that the community development program is not generating significant new investment in our cities. Only a very small amount (8–12 percent) of block grant funds is being allocated to acquire land for the purpose of new housing, industrial or commercial development—activities closely related to large-scale, long-term development and rebuilding. As a limited, although immediate response to this problem, the Congress should consider changes in the block grant program loan provision (section 108) in order to make this a workable, short-term option for leveraging block grant funds for land acquisition and assembly.

NAHRO RECOMMENDATIONS FOR NEIGHBORHOOD CONSERVATION AND HOUSING REHABILITATION

NAHRO's second-year monitoring study of the block grant program shows "housing rehabilitation" (21 percent) as the activity consuming the largest proportion of funds. It is important to note, however, that this represents only a very minimal increase (2 percent) over the initial year experience. This fairly stable allocation of block grant funds for rehabilitation, in combination with the vast gap between rehabilitation goals and needs as evidenced in local housing assistance plans, highlights the need for increased rehabilitation financing from a variety of sources.

The section 312 rehabilitation loan program should be continued as an additional, proven tool in response to this local demand. As this subcommittee is well aware, the local competition for block grant funds is intense. Many localities have or are planning to use section 312 loans to augment or in combination with limited block grant allocations. In cases where the cost of rehabilitation exceeds the local limits established for block grant rehabilitation funds, the balance of the needed work can be financed through a section 312 loan. This combination loan and grant concept was a most successful feature under prior categorical programs. Further, few loan programs utilizing block grant funds provide as favorable an interest rate as is available through section 312. This lower rate is often crucial in making rehabilitation feasible for the lowest income homeowners.

The problems with section 312 over the past several years resulted from its "stop and go" funding pattern and an insufficient Federal administrative and financial commitment. We feel this can be corrected by extending the program for at least 3 additional years at an appropriation level of at least $150 million per year. A growing portion of each year's actual program level can be met from the increasing annual amount of loan repayments. We urge this committee to direct HUD to allocate sufficient administrative resources to attain this program level. From the Federal perspective, these resources could be kept to a reasonable level by increased delegation to local entities of loan processing and other administrative matters as provided for in section 312(f). In cases where this authority has been delegated to local agencies in the past, loan funds have been committed at an expeditious rate with virtually no history of default.

In addition to addressing the need for supplementary resources, the Congress must provide direction to insure that local block grant allocations for rehabilitation are being utilized in an effective manner. Consistent with the objectives of the law, the Congress should direct HUD to insure that rehabilitation and conservation activities are effectively and comprehensively coordinated for the benefit of local neighborhoods. We feel this can be accomplished administratively and without additional burden on local program administration. In fact, HUD should be expressly restrained from infringing on program flexibility in the design of local rehabilitation efforts. In this regard, the Congress should direct HUD to rescind its recent prohibition against lump-sum withdrawals from the letter of credit and their deposit in financial institutions for stimulation of housing rehabilitation financing. This has been a widely and successfully used practice to stimulate private lender participation and a change in the ground rules at this date may seriously jeopardize programs already in operation. Only through the active participation of the private sector can we hope to narrow the gap between rehabilitation need and the annual level of activity.

NAHRO RECOMMENDATIONS FOR HUD-ASSISTED HOUSING

NAHRO strongly advocates that the administration and the Congress develop new levels of housing assistance for the next 2 fiscal years, including a realistic assessment of what can be accomplished under an amended section 8 program, as well as levels of activity under other existing housing assistance programs including traditional public housing, section 202 direct loans for the elderly or handicapped, and the section 235 housing assistance program for home ownership. In order to utilize the potential of these latter programs, the existing regulations should be amended to make them fully workable. NAHRO believes that these actions are urgently required because of the critical situation created by the lack of assisted housing activity since the January, 1973, moratorium, and the shortfall in section 8 progress as documented in the recent report of the Comptroller General of the United States (January 28, 1977).

NAHRO strongly supports the recommended changes in the Ford budget for fiscal years 1977 and 1978 proposed by HUD Secretary Harris in the administration's budget revisions, in particular the move to reach an annual level of 400,000 assisted units. In fiscal year 1977, while we still have question as to whether section 8 new construction can reach even the reduced levels proposed, we support the aim of bringing to construction, if possible, the section 8 units now under reservation which have the most likely chance of procuring financing. In our opinion, this effort will require additional incentives to stimulate public and private investment interest in the section 8 program.

NAHRO also believes it is essential, and strongly advocates, that the Congress consider the advisability of authorizing contract and budget authority for assisted housing on a 2-year basis, through fiscal year 1979. The long leadtime from application to construction completion requires that the development process be a continuing one, and a 2-year authorization, including the possibility of advanced appropriations, would provide for programing new activity far more effectively. NAHRO's recommendations for the level of new reservations for 1978 and 1979 are shown in the table below. These figures differ from the new proposals by HUD Secretary Harris only in the following respects: (1) for fiscal year 1978—the reduction of section 8 new construction and substantial rehabilitation goals from 172,000 to 100,000 units, the addition of 50,000 new public housing units, the raising of section 202 to 50,000 units, and the addition of 20,000 units for State agencies under the section 802 interest reduction program; (2) for fiscal year 1979—an authorization to cover the same levels as proposed for 1978. NAHRO recommends that a further review of section 8 new construction experience be undertaken after fiscal year 1978 to determine if it can be financed successfully, or if the section 236 program should be reinstated.

NAHRO recommends that sufficient funds be appropriated to support the following levels of new activity in the form of firm reservations for fiscal years 1978 and 1979 which will lead to new housing construction starts.

RESERVATIONS FOR NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION

[Number of units]

Sec. 8	[1] 100,000	[1] 100,000
Traditional public housing	100,000	100,000
Sec. 235	100,000	100,000
Sec. 202	50,000	50,000
State agency (sec. 802 interest subsidy)	20,000	20,000
Total	370,000	370,000

[1] Including new allocations for State agencies.

These new reservations, coupled with the estimated new section 8 reservations for existing housing of approximately 172,000 units in fiscal year 1978 and 200,000 in fiscal year 1979, would bring total assisted housing reservations to about 542,000 in fiscal year 1978 and 570,000 in fiscal year 1979, moving toward the 10-year goal of 6 million assisted units set forth in the 1968 Housing and Community Development Act.

In order to achieve these goals, NAHRO has advocated the following significant improvements to each of these programs.

Section 8 new construction

A legislative amendment to provide a Federal guarantee on bond obligations of public agencies (State and local) sufficient to insure security necessary to market these obligations.

Further change in administrative regulations to relax the "rent comparability test" with other subsidized projects, and relate the projected rents to actual estimated costs in the area.

Make alterations in the determination of "fair market rents" to insure that differences in submarket areas can be accommodated; to accelerate the development of large family units; and to provide for adequate management and resident services.

Section 8 existing housing

Review and adjust "fair market rents" to assure that standard units are made available in other than areas of low-income and minority concentration; and to meet the requirements of large family units.

Review and adjust "fair market rents" to insure that adequate management and resident services are made available.

Make more flexible the proposed responsibilities of landlords to assure that negotiations can be undertaken with landlords that can be adjusted to particular needs and circumstances, as previously demonstrated under the section 23 leasing program.

Develop incentives, statutory if necessary, to provide for the administration of the section 8 existing program on a coordinated countywide and areawide basis by State and local authorities.

Reduce the complexity of the program requirements and reporting which is confusing for the low-income applicant and burdensome to the local housing authority.

Traditional public housing

The recent regulations (Feb. 7, 1977) for the reactivation of the public housing program, though modified from the original draft, still are restrictive and should be substantially altered. Particularly troublesome is the lack of assured subsidy assistance for families who cannot afford to pay operating costs. NAHRO favors encouraging, but not mandating, a cross-section of income occupancy which includes families who can afford to pay higher than operating cost rents. Consideration should be given to reactivating the traditional program regulations, altered only by those new requirements clearly mandated by the 1974 act.

Section 235 homeownership

Adjustments should be made to make available a sliding interest rate down to 1 percent, instead of a flat 5 percent, in order to stimulate investor interest in high-risk areas.

Adjustment should be made in the "band of income eligibility" for the program to insure that those eligible can support the required monthly cost.

Section 202 direct loans for elderly and handicapped

We applaud the recent action by the department withdrawing proposed, controversial administrative changes in the section 202 program in order to expedite the commitment of available fiscal year 1977 funds. Further, the Congress must recognize the need for public, as well as private 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 public agency sponsorship as provided for in the authorizing legislation.

NAHRO RECOMMENDATIONS ON HOUSING MANAGEMENT

The importance of housing management has become increasingly recognized over the past 5 years and substantial progress has been made in identifying new, effective management techniques, particularly in public housing program operations. It is clear that housing management and maintenance considerations must be built into new development planning, including both physical design and fiscal feasibility, for the long-term usefulness of the housing development.

A major element in housing management improvement has come through the HUD-sponsored target projects program (TPP); the experience from this program involving about 150 local housing authorities is reaching the stage of transferability to the larger universe of local housing authorities, as well as to other assisted housing operations. A major element of the TPP program is a goals-oriented, performance approach to management needs. NAHRO is working closely with HUD and local housing authorities to assure maximum use of the TPP efforts to date. It is our belief that TPP should be extended to involve additional housing authorities in fiscal year 1978. At the present time, no new TPP programs are scheduled beyond those now underway. I would like to submit a copy of NAHRO's TPP Newsletter which indicates some of the potential efficiencies and cost benefits of the TPP program for the hearing record.

The requirements in public housing management for fiscal year 1978 cover the key areas of operating assistance, modernization of older housing developments, and deferred maintenance, as well as the need to extend the TPP program

to another round of local housing authorities. NAHRO endorses the request by Secretary Harris to restore public housing operating assistance for 1978 to the full level estimated under the approved formula—$665 million. This amount includes additional funds for increased utility costs due to the severe winter. This subcommittee should be aware of and monitor any difficulties in providing the 25-percent local share for these emergency costs. The proposed increase in the modernization program to an annual contract level of $35 million is encouraging in light of the overwhelming local demand. Again, however, NAHRO recommends that the Congress consider multiyear authorizations that will make possible a programed approach to clearing up the neglected backlog of need for public housing modernization and deferred maintenance. These would be one-time efforts, after which modernization and maintenance requirements would be based only on the current needs for that year, and not an accumulated backlog.

In summary, NAHRO's recommendations for public housing management for the fiscal year 1978 are:

(1) Funding of the performance funding system based on the approved formula, including required adjustments to the base year for selected housing authorities, estimated at a level of $665 million—$53 million over the $612 million projected in the Ford budget which contemplated increasing resident rents.

(2) A 4-year modernization program to accommodate the documented and projected need for $1.6 billion in capital improvements; estimated at $400 million per year, or an annual appropriation of $40 million in contract authority for 4 years.

(3) A 2-year program for deferred maintenance to clear up an estimated backlog of $400 million in maintenance requirements, or annual appropriation of $20 million in contract authority for 2 years. The performance funding system does not include provisions for deferred maintenance, and the present backlog results from short-falls in Federal assistance dating back over several years.

(4) An additional round of TPP activity estimated at $35 million to extend the goals management/performance approach by local housing authorities.

NAHRO RECOMMENDATIONS FOR RESEARCH IN HOUSING AND COMMUNITY DEVELOPMENT

It has been almost universally recognized that the proportion of Federal research funds going to housing and community development issues is miniscule, both in relationship to that of other Federal departments and to the critical policy matters that concern this field. For fiscal year 1978, the Federal Government proposes to expend over $26 billion for research and development and related activities, about $9 billion of this for civilian (rather than defense and space) programs. This is an overall increase of 13 percent over fiscal year 1967, and 11 percent for civilian research programs. Yet, the research budget of the Department of HUD remains static at $60 million. The situation is complicated by the fact that the National Science Foundation (NSF) has taken no major initiatives in stimulating "basic" research on long-term problems and issues facing the housing and community development field. Explorations by NAHRO in 1976 indicate that colleges and universities have virtually no effective access to Federal Government support to carry out research in housing and community development. The NSF is unresponsive and the HUD request for proposal (RFP) process mitigates against participation by most universities.

Since the HUD research authorities were consolidated into one fund in 1970, the Department has been preoccupied with two major demonstration efforts that have absorbed a large part of its energies and resources: the "Operation Breakthrough" program which was directed to applying industrialized methods to housing production, and the congressionally mandated "Housing Allowance Experiments." These two major efforts are now substantially completed, and this provides an opportunity for the Department to rethink and reorient its research and demonstration program, hopefully in conjunction with new initiatives in this field by the NSF. Two particular areas where HUD might direct attention are: (1) the development of an expanded HUD-staff capability in program policy development and (2) the expansion of activity already underway to monitor and evaluate the programs that it administers. NAHRO proposes that fiscal year 1978 be utilized to review and reorient the HUD research effort and to develop new, significant initiatives on "basic research" related to the field by the National Science Foundation.

NAHRO RECOMMENDATIONS FOR STAFFING NEEDS OF THE DEPARTMENT OF HUD

The organization and reorganization of the Department of HUD over the past several years has severely weakened the career service in the Department, both in morale and in skilled program personnel. New programs have been undertaken with insufficient time and resources devoted to informing and training departmental personnel to undertake new responsibilities. There is a continuous problem with communication of directives between the Washington office and the field, resulting in uneven and fragmented policy implementation across the country. Particular weak spots have developed in the community development area (where large-scale reductions in personnel were made in anticipation of the community development block grant program) and in the housing management area (where skilled replacements have not been made as long-time career employees left the Government service). All of these serious matters require immediate attention and a campaign to recruit and/or train career persons of the highest professional caliber should be quickly initiated.

Mr. Chairman, I appreciate this opportunity to appear before you this morning and I will be pleased to answer any questions from the subcommittee.

Thank you.

Mr. SHIVER. I am Jack H. Shiver, president of the National Association of Housing and Redevelopment Officials, a professional association of local individual agencies, serving the Nation's housing development needs for about 40 years. I am also, for the record, an executive director of the Norfolk, Va. Redevelopment Housing Authority. I am pleased to appear before you this morning and present our association's recommendation for fiscal year 1978.

The major point we wish to make, is that we support the administration's community development block grant program recommendation of $4 billion. We are concerned to some degree about some of the directions that we see the community development block grant program taking.

Our monitoring effort has indicated a movement away from the low- and moderate-income housing needs of communities, and clearance of slums and blights although we are encouraged by the movement toward rehabilitation. We think that that has been a movement in the right direction.

The highlight, however, is the so-called "UDAG"—urban development action grant—that we support in concept. However, we are somewhat concerned about them in some areas, especially those cities that tend to lose money relative to the hold-harmless amounts that they received in 1975, 1976 and 1977.

If you will allow me to use my own city as an example, it's much like Chairman Boland's city of Springfield, which will lose funds when hold-harmless is phased-out. In Norfolk we lose about 26 percent of our hold-harmless grant. To a large degree we feel this is because we have been successful. For example, we have demolished about 11,000 slum housing units since the program began and have built about 2,000 new housing units. We have a double-barreled effect. We demolished the old ones; built new ones and the picture changed, and we will lose money because we have been productive. I think that is true of many cities.

We think the Secretary should take into consideration those communities that lose a great deal of money in their hold-harmless provisions, and maybe give them some sort of priority, especially to encourage production if the city has a good record and if they still have a need.

You know, there is another way to look at that. Urban development action grants imply that it is a production-oriented program, that you take advantage of economic opportunities that come along. But the loss of Federal money in a community is distressing in and of itself. It affects a large portion of the community and certainly we think that the Federal Government loses much in the effort to utilize the program.

Some response to this loss of Federal dollars we think is appropriate, and especially because these communities still have some blight. I am not against the older larger cities needing the funds. I can't argue with that. On the other hand, a slum in Norfolk is the same as a slum in New York, for the people living there. Attention needs to be paid to those people.

The second point is on rehabilitation. We support rehabilitation because it works. There are many communities in this country that can show you proven results of good conservation and rehabilitation programs. I think without exception, all of them will tell you that the base and foundation of that effort has been the 312 program. We support the 312 program.

We think that the appropriation level of at least $150 million per year is appropriate but we think it's really not quite enough. We have seen a great movement in using block grant funds for rehabilitation and I think that is also appropriate. But that doesn't mean that the level of 312 loans should go down, just because we are spending more of our block grant money on that effort. As I said, the foundation of the program is section 312, in our judgment.

Many communities, including our local community, have all kinds of leveraging concepts, or local grants and local utilization of block grant money for loans, but 312 is still the most important one. The trouble, as you are well aware, is the on-again, off-again funding of 312, and the stop-and-go situation we have been in for the past few years.

The third point I would like to make is on public housing. It's an old program that has been around for several years, and we have heard beat-around-the-bush pros and cons for a long time. I guess the first thing is, the Administration recommends or believes that something like 50,000 units of additional public housing construction is necessary. We think that ought to be at least doubled, basically because of the cost.

Now, I don't think there is any question—at least in most communities—that the cost of section 8 is higher than traditional urban housing. I don't mean in construction, either. I think the construction costs are about the same, very frankly. I can give you a local example by saying we have 6,000 units of public housing in our community. We are also the builder and owner of section 8 housing in our community—the authority itself is. We look at the subsidies of our section 8 and the subsidies of our local public housing, and we believe that section 8 is much more costly.

We believe also fair study should be made to determine what that cost differential is. There are an awful lot of studies already done. I can cite one in our local community, but I am not sure it's appropriate because I don't know what factors should or should not be considered.

The real point is, I think public housing is not as costly a project

as section 8. Maybe it doesn't do as many things in some ways, but in other ways it does much more. We hope the committee will give strong consideration to at least doubling the construction of traditional public housing.

Lastly, let me make a recommendation to you on housing management, especially as it relates to modernization. I think that is a bad name for what it really is. Most people don't understand what modernization of public housing is. For the record, we would support a $40 million annual appropriation for modernization and $20 million in deferred maintenance.

Modernization really is designed not to help a local housing authority. It is designed to help the people living in those projects. The average age of many housing communities is 20 to 25 years. They were built without doors on the closets, without kitchen cabinets, or concrete floors, and modernization helps correct those things: it puts doors on closets, puts in kitchen cabinets, provides a new stove and refrigerator.

We think it's a program that ought to be continued, and it makes good business sense to keep those units modernized. Deferred maintenance is a problem we have been living with now for about 10 years. We have constantly had to defer maintenance, and modernization doesn't address the maintenance needs in our communities. We believe some money should be set-aside, and we recommend $20 million, for deferred maintenance items.

Let me make one other point, by trying to dispel a myth that we are bad managers in public housings. That is not true. Every public housing project in the United States is not Pruitt-Igo. There are many good ones in the country. I can talk about Youngs Park and Washington Park and many others. They are all not Pruitt-Igo. They are all not badly managed. Modernization money isn't needed because we are bad managers. It's needed because the projects were built a long time ago and we haven't had adequate funds to keep them in good condition, because we collect the rent like anyone else.

In my own community, for example, we have had less than one-tenth rent-loss for the last 15 years. We don't think any private manager has a better record in that capacity. We also are proud of the housing in our community. Public housing, everyone says, has a bad name. That is not true in my city. We are delighted to show it to you. The community itself is proud of its housing and the way it is operated. It is a valuable component to our community. I would hate to think of our city without it in many ways.

Mr. Chairman, those are the only points that I would like to make. We cover a lot of items in our testimony, but those are the main points.

Mr. COUGHLIN. We appreciate your testimony.

You indicated your support for the urban development action grant program. Don't you regard this as another new layer or spigot for the community development program?

Mr. SHIVER. I guess it could be considered as that, in a way; and I guess it is.

Mr. COUGHLIN. You can't do anything that can't be done under the existing programs.

Mr. SHIVER. I think it can. I think the basic difference is the time. The time element of the community block programs is on a yearly

basis. It's difficult to take advantage of every economic opportunity that comes along, on that basis, without some assurance of funding for the next 3 or 4 years.

I look at it as an intermediate funding program that gives you a block of money that you can utilize for a specific purpose or a specific program, that you could not probably do under community development.

Community development block grant implies a lot of things. It's a divvying up of the money for many uses in your community. You already have major pressures in the community to utilize it in several areas.

Opportunities come along now that you ought to be able to draw some funding for; that would create jobs and economic opportunities in your community. I think the UDAG grant is a very useful tool for these purposes. I don't think it's a long-range problem.

Mr. COUGHLIN. Do you see it any differently from the old urban renewal programs?

Mr. SHIVER. I think it's very different. It has some of the same characteristics, but I think it involves more than economic opportunity concepts, in that it involves private interest, and in that way provides more than the old urban renewal program.

Mr. COUGHLIN. On another line of questioning. You indicated your concern under the proposed formula change in the allocation of funds, that the cities would lose their hold harmless status.

Have you examined the new formula carefully? Do you intend to testify before the authorizing committees?

Mr. SHIVER. Yes; we have examined it and we have testified. We are in favor of the formula. I don't honestly believe we can make a very good case that says that the hold harmless is a reasonable approach. Although I would love to be able to say, "I don't think that is a reasonable approach for Norfolk, Va."

I do think, however, as I have stated, that the discretionary funds—the UDAG grant and the other discretionary funds—ought to be able to help you relieve those cities that are losing funds under the formula process. I think it's about as equitable an approach, as I know of at this point.

Mr. BOLAND. I hope you will look carefully at the formula and its result, to make sure it is going to end up putting the funds in the areas in which they are most needed.

Finally, in terms of the management efficiency of public housing projects, what is being done to improve the management effectiveness in projects that are not well-managed? We know there are some projects like this.

Mr. SHIVER. There is no question about that. Those projects that are badly managed are really our downfall. I think two things have happened that are important.

The first thing is what we call the credentialing program for housing managers, where we get real professionals to help manage housing. We now have a program where those managers have to pass a test and meet certain provisions, and they are becoming professionals. I think that is long overdue and one that we should continue. So that will help.

I think we need some more technical assistance for those communities not well-managed. HUD has failed to give technical assistance for the last 10 years. I remember we used to get a management review, along with assistance to say, "Here are the ways you can improve your programs."

None of that happens now. So communities are left on their own. I think that it is very important that technical assistance be reestablished, from the HUD operating point of view.

There are other things that we ought to do, very frankly. I hate to say this, because I have some very close friends that are not very good managers, but I really think their funds ought to be cut.

Mr. COUGHLIN. Thank you very much for your presentation here today. We appreciate your taking time to testify before this subcommittee.

HUD—SECTION 8 PROGRAM

WITNESS

JAMES DLUGOSCH, EXECUTIVE DIRECTOR, MINNESOTA HOUSING FINANCE AGENCY FOR THE COUNCIL OF STATE HOUSING AGENCIES

Mr. COUGHLIN. The next witness is Mr. James Dlugosch, executive director of the Minnesota Housing Finance Agency for the Council of State Housing Agencies.

Mr. DLUGOSCH. Members of the committee, I have a copy of my prepared statement for the record.

Mr. COUGHLIN. We will place it in the record at this point.

[The complete statement follows:]

TESTIMONY OF JAMES F. DLUGOSCH

My name is James F. Dlugosch, executive director of the Minnesota Housing Finance Agency, treasurer of the Council of State Housing Agencies, and formerly executive director of the St. Cloud Housing and Redevelopment Authority. CSHA is an organization of virtually all of the 35 State housing finance agencies (HFA's) now in active operation, as well as over 75 developers, investment bankers, lawyers, architects, and others from the private sector who have joined us as associate members. I am accompanied today by Charles L. Edson, counsel to CSHA.

I would like to begin today by expressing CSHA's support for the administration's inclusion of sufficient contract and budget authority for 172,000 new construction/substantial rehabilitation section 8 units in their fiscal year 1978 appropriation request, although we believe a larger share should be allotted to State HFA's as will be discussed later in my testimony.

CSHA is and consistently has been a stronger supporter of the section 8 housing assistance payments program. Speaking from experience with both a State HFA and a local housing authority, I can personally support CSHA's argument that section 8 possesses most of the attributes of an ideal subsidy program:

It can assist families and individuals, no matter how low their income, as a resident is required to pay no more than 25 percent of family income for rent;

It has a broad range of income eligibility within the low- and moderate-income community, thereby limiting the detrimental impact of the arbitrary cutoff lines of other subsidy programs;

It is unique among subsidy programs in that the subsidy escalates from year to year to account for the inflationary trends within our economy. It is the lack of the escalating subsidy which has caused such problems in the section 236 program;

The program ideally lends itself to cooperation between the public and private sectors. Eligible sponsors include public bodies, nonprofit organizations, and private ventures. Eligible lenders include public lenders, like ourselves, and local finance and housing agencies, as well as the private lending community.

STATE AGENCY INVOLVEMENT IN SECTION 8

The involvement of state housing finance agencies in the section 8 program has been a proud one. HUD records indicate that, as of December 31, 1976, there have been construction starts on 33,548 new and substantially rehabilitated units in the program, of which State HFA's have accounted for 17,984, or over 53 percent. In addition, our own survey shows that State HFA's have started construction on 29,914 section 8 units as of February 1, 1977. Between October 1, 1976, and February 1, 1977, 11,134 of those units were started. This survey included responses from 20 of the 23 State HFA's with known section 8 construction starts.

Equally impressive, State housing finance agencies have accounted for 38 percent of the contract authority now under reservation for newly constructed units and 34 percent of the units under reservation for substantial rehabilitation, for an overall total of 37 percent of the contract authority for new and rehabilitated units. This, of course, is a nationwide figure. When we take into account those States with active HFA's, we find that the State housing finance agencies account for 90 to 100 percent of the activities in those jurisdictions, including section 8 projects owned by local housing authorities. In Minnesota we are especially proud of our record in this regard.

In light of the excellent track record of the State HFA's and the universal recognition which we have received regarding our ability to perform, we must admit to great bafflement concerning the administration's proposed budget for fiscal year 1978, limiting State HFA's to 20,000 units. In the fiscal years of 1975 and 1976, State HFA's placed under reservation 34,000 and 44,000 units respectively, so that the 20,000 units for fiscal 1978 represent a severe drop from performance levels which we have achieved and which we can maintain. Of even more relevance, a recent survey indicates that our member HFA's can place 70,000 units under reservation during the fiscal 1978 if the funding is available.

State HFA's are business organizations which must be able to gear up to work on rational, planned production levels. For that reason, the severe cutbacks which the administration proposes for fiscal 1978 would cripple, if not kill, most State HFA's. It is neither rational nor fair to rely on us as a vehicle when production is needed, such as in fiscal year 1977, only to reduce the contract authority available to us in the next fiscal year in the hopes that conventional financing may be made to work. If State HFA's are to make a permanent contribution to meeting the needs for low- and moderate-income housing, then we must know from year to year that we will have a consistent share of Federal housing subsidies. The on-again, off-again treatment we have been receiving the past few years has made long-range planning, much less long-range existence, near to impossible. For that reason, we are requesting that the Congress specifically earmark sufficient contract and budget authority for 50,000 units for State HFA's for fiscal year 1978, which would maintain the State HFA production at the current level with respect to the entire section 8 program.

We have never been told specifically by the administration why we face such a severe cut in fiscal year 1978. We do hear talk of studies which purport to show that the cost of State HFA-financed units is higher than those financed through HUD area offices. Others say that the reason for this treatment is that we require 40 years of budget authority because of our 40-year housing assistance payment contracts, and, therefore, for some reason we are twice as expensive. We believe such talk to be fallacious for several reasons.

First, the studies, by the Congressional Research Service of the Library of Congress, the General Accounting Office and HUD, uniformly fail to take into account several very real costs associated with section 8 projects processed through HUD area offices. For example, none of the studies attributes any cost to the tandem plan subsidy which is present in virtually all FHA-insured cases. The cost to the Federal Government of tandem plan financing—from $275 to $350 per unit per year—more than makes up the difference in cost between State FHA units and HUD units set forth in the studies. In addition, the studies fail to assign any cost to the FHA mortgage insurance exposure in conjunction with HUD units. Experience clearly shows that the actual cost of the FHA mortgage insurance exposure is significant. As this committee is well aware, virtually all State HFA financing is done without FHA mortgage insurance, with the State HFA assuming the entire risk of loss. The studies also have failed to account for the variance in HUD administrative costs as between State HFA and HUD

projects. The processing and underwriting of State HFA projects is handled largely by the HFA itself, with very limited HUD involvement and thus far less HUD administrative expense than that involved in projects administered directly by HUD.

Second, we challenge the statistics on which these studies were based, and the statistics underlying HUD's conclusion that State HFA-financed units are more expensive than HUD units in terms of annual section 8 contract authority per unit. HUD will be the first to admit that its statistical capability is sadly lacking. For example, HUD has announced four separate figures as to section 8 starts in fiscal year 1976: 20,365 units immediately after the end of the fiscal year, corrected to 40,000 units a few weeks later, scaled downward to 34,335 units, as reported in the fiscal 1978 budget. Now HUD states that only 33,548 units were produced by December 31, 1976. Certainly, if HUD is so uncertain on section 8 starts, we feel that its statistics would be equally faulty on section 8 costs. Indeed, we have taken a survey among our agencies and found an average section 8 contract authority cost per unit of $4,176. HUD estimates a cost of $4,600–$4,800 per State HFA unit. That such a strong, vibrant, and productive movement as State HFA housing would be ended on the basis of such shallow statistics is nothing less than shocking.

As you are well aware, the secton 8 contract authority cost of a project on a per unit basis is a direct function of the HUD-approved contract rents, which in turn are limited by the applicable fair market rents. Thus, in comparing the section 8 contract authority costs of State HFA units with HUD units, it is essential to know the geographic areas—and thus the fair market rent levels—from which the statistics are being drawn. It is a fact that State HFA activity in many more urban, higher cost areas such as metropolitan areas in New Jersey, Massachusetts, Virginia, Pennsylvania, Michigan, and Illinois is the only section 8 production in those areas. The higher section 8 contract authority costs associated with these areas—and attributable solely to State HFA production—are then included with HUD unit costs in lower cost areas to produce the HUD "average" costs.

In addition, the contract rents allowed by State HFA's, and approved by HUD, are realistic rents. That's why our projects are getting started. HUD area offices base their rents on so-called comparables with similar projects. However, these rents, based on older projects facing much lower costs, have been so low that many developers have been unable to proceed. That is why HUD itself estimates a significant number of dropouts from its area office projects. In other words, State HFA costs are realistic ones; area office costs are not. Further, our costs often cover reserves and escrows that will cushion the effect of further rent increases.

Third, the shorter processing time for State HFA projects has not been accounted for in the cost figures. The longer time required for HUD section 8 projects not only adds to the basic cost of the project but also makes the project less viable, contributing to the higher fallout rates.

Finally, the question of the 20-year versus 40-year budget authority arises. It is most fallacious to charge housing programs with multiyear costs when this is not done in any other field. The absurdity of this type of calculation becomes plain when it is stated that the State HFA projects are twice as expensive because they take 40-year, instead of 20-year, budget authority. What all concerned must realize is that at the end of the 20-year contract term on an FHA-insured or conventional project the contract will be renewed, to prevent the unthinkable alternative of wholesale eviction of the project residents. Thus, the distinction between 20-year and 40-year terms is meaningless, as virtually all projects will be receiving assistance for a longer period. If actual experience with mortgage refinancings and ownership changes result in average contract terms being less than 40 years, these factors will be applicable equally to conventionally financed, FHA-insured and State HFA–financed projects.

In closing, I wish to thank the chairman, the members of the committee, and your very able staff, for letting us be here with you today.

Mr. DLUGOSCH. I am James Dlugosch, executive director of the Minnesota Housing Finance Agency, and treasurer of the Council of State Housing Agencies, and formerly executive director of the St. Cloud Housing and Redevelopment Authority.

You may wish to ask some questions on the issue of housing finance agency's ownership of public housing.

Mr. Chairman, generally, I believe the primary issue that is before us today is the issue of cost of the section 8 housing program. As I am sure you are aware, the Council of State Housing Agencies fully supports the appropriation request that has been submitted by the Department of Housing and Urban Development.

We support the administration's inclusion of sufficient contract and budget authority for 172,000 new construction, substantial rehabilitation section 8 units in fiscal year 1978 appropriation request.

We are concerned, though, about the amount that has been allocated, in the budget, for use by the State housing agencies. The suggestion that appropriations sufficient to fund 20,000 units for use by State housing agencies represent a rather substantial cutback in the production that has been experienced during the past year; will be experienced this year; and that we have the capacity to produce for next year.

The State housing finance agencies, as I am sure you are aware, have accounted for the major part of the production in the section 8 program in the past. In those States with housing finance agencies, that production has approximated about 90—and in many cases, 100—percent of the units that have been produced under section 8, in those states.

Your own State of Pennsylvania is one of the best examples of that. The State housing agencies have also been considerably more precise in their communication to Congress and to HUD of the data with respect to units that they have been producing.

I think one of the major problems of the Department of Housing and Urban Development today is their data management system. Without adequate management information systems, it's very difficult for GAO, or Congress or the administration, to accurately assess the costs of various programs or even the production levels.

Some of the information that has been coming out during the past 6 months about production in the section 8 programs has indicated that management data is a very severe problem. That problem is starting to affect the perception with respect to the cost of producing section 8 housing, relative to the cost of producing housing under other programs and through vehicles other than the State housing agencies.

We would suggest it would be very important for the committee to have data on the relative cost of producing housing through the various programs. Certainly, even in the CRS and GAO data that has been published, there have been some misconceptions about cost; some inaccurate presentations, which we have mentioned specifically in the written material; and oversight of some significant cost elements, including cost of the tandem program, cost of the insurance fund, the various HUD programs, and the cost of the delivery and administrative costs to the Department of Housing and Urban Development, that are not experienced with the State housing agencies units that are produced.

The question you asked the previous speaker, on modernization funds, I think is a significant one: When looking at the cost of the public housing units, one should add the cost of the modernization appropriations that are necessary to take care of deferred maintenance. Deferred maintenance is budgeted as an operating cost in the units that

are financed through the State agencies, so the Department is not going to be faced with substantial appropriations in the future for maintenance in section 8 units that are produced through State housing agency resources.

I would cite, for the benefit of the committee, the experience in Minnesota, through the finance agencies, with respect to the cost of the section 8 units we have produced. It's difficult, of course, to compare those costs with costs of other section 8 housing, because there is not very much that has taken place, but the projection of per unit cost, from the Department of Housing and Urban Development, in the twin cities, Minneapolis-St. Paul, is a unit cost of $38,000 under the program. The units we have constructed, occupied, and completed will require a per unit cost of $35,000.

So at least in our case, we know from specific data that the cost of producing those units is substantially less than what the initial projection of the Department was.

Mr. Chairman, another area of concern, as I mentioned earlier, is with respect to the decrease in the authorization level for production of units through the State housing agency.

One of the problems of the past, not only with State housing agencies but with all the segments of the housing industry, has been the incredible difficulty of staffing and operating management programs without having the ability to rely on some form of continuity in the flow of funding.

We recognize as a general rule, that housing is an extremely volatile commodity and throughout history there have been significant fluctuations in the availability of resources and the production of housing units. Nevertheless, at a time when the resources are sufficient to be able to fund the units, it is difficult for us to understand why the State housing agencies should be faced with a decrease in the authorization level for 1978, especially considering the great efforts that those agencies have made during the previous 2 years, to gear up to produce the units that HUD has asked us to produce and that Congress has desired to be produced.

Mr. Chairman, I would also like to comment briefly on the question that came up with respect to what are the various people that are appearing before this committee today doing about reducing the cost of housing? I would suggest that while there are certainly some efforts to be made in the reduction of the cost of housing, the real issue is improving the ability of people to consume housing.

We, in Minnesota have exerted a great deal of energy in the direction of determining what kinds of things can be done to reduce the cost of housing. We have allocated very substantial state resources, $150 in bonding, now approaching $50 million appropriated from the Minnesota State Legislature for the conservation of existing housing. That is a major factor in providing lower cost housing. We have funded demonstration efforts in the production of lower-cost single-family units; units that could be produced with fewer amenities and with relaxation of some land-use and zoning restrictions that unduly increase the cost of housing.

Nevertheless, we recognize that we cannot bring housing within the ability of the large portion of the population to pay and, therefore,

our primary task has to be on the ability to increase the availability of low-cost housing.

As has frequently happened, I think the extraneous remarks ended up to be longer than the prepared statement.

Mr. ALEXANDER. That is why we are here.

Welcome to our subcommittee. We appreciate your coming.

Mr. COUGHLIN. I have a few comments. You mentioned the CRS study indicating to our subcommittee that construction was the most expensive form of housing. If you have an analysis of that, you might want to provide it for the record.

Mr. EDSON. I believe our written testimony takes another look at all of the studies. Another thing it does, is address an issue that this committee is concerned with: that of budget authority and the concern that State projects somehow are twice as expensive, because we have 40-year budget authority rather than 20. We address that in our testimony by pointing out that the 20-year contract will obviously be renewed after 20 years, or else you are going to kick all of those poor people out into the street. Therefore, it is somewhat fallacious to look at budget authority as an indication of cost. That is in the testimony.

Mr. COUGHLIN. It is difficult to reduce the cost of housing, the thrust has to be to help people obtain housing.

I am concerned that the national goal of providing decent housing for all of our people becomes more difficult to bear if the cost of the housing gets too expensive.

Someone has to pay the bill, obviously.

Mr. DLUGOSCH. One might argue, the increased cost of producing that housing has very substantial benefits to the gross national product

Mr. COUGHLIN. Thank you very much.

Mr. ALEXANDER. Thank you very much for your appearance and testimony today. We appreciate it.

HUD—SECTION 8 PROGRAM

WITNESS

THOMAS M. COOK, PRESIDENT, NATIONAL LEASED HOUSING ASSOCIATION

Mr. ALEXANDER. The next witness is Mr. Thomas Cook, president of the National Leased Housing Association.

We look forward to hearing your presentation. Thank you for appearing here today.

Mr. COOK. Thank you, Mr. Chairman.

I am Thomas Cook, president of the National Leased Housing Association, and I am accompanied today by Rose Noonan, reserve director of the association.

Mr. ALEXANDER. We are glad to have you.

Mr. COOK. We have submitted a formal written statement. As a result, partly because of the closeness of the lunch hour, I would like to paraphrase.

Mr. ALEXANDER. The gentleman's statement will appear in the record in full. You may summarize at will.

[The complete statement follows:]

TESTIMONY OF THOMAS M. COOK

Mr. Chairman and members of the committee, I am Thomas M. Cook, president of the National Leased Housing Association and I am accompanied today by Herbert M. Franklin, counsel to the association. We are most pleased to have this opportunity to appear today.

I appear not only as the president of NLHA but as someone with years of experience in housing and community development. Until last August I was director of the Berkeley, Calif. Housing Authority and Redevelopment Agency, and I am currently administering that city's community development program, including its housing assistance plan component. In the past I worked with the Housing and Home Finance Agency, the predecessor to HUD. Consequently, my comments later on with respect to the relationship between the section 8 and the public housing programs are based on my familiarity and support for both of these means of aiding needy low- and moderate-income people.

The National Leased Housing Association now numbers over 425 member organizations representing a wide spectrum of participants in the section 8 program—private developers, financial institutions, nonprofits, local housing authorities. State housing finance agencies, and concerned professionals. We are unique not only to this diversity of membership, but in the fact that our organization focuses on one housing program—section 8.

NLHA comes before you today supporting the administration's proposed housing budget for fiscal year 1978. We recommend that the subcommittee approve $1,232,120,000 in contract authority and $32,788,300,000 in budget authority for fiscal year 1978 for the section 8 housing assistance payments program and for the public housing program. This amount will be sufficient to assist 344,000 section 8 units and 56,000 units of public housing during fiscal year 1978.

The section 8 program is now on the threshold of fulfilling its great potential. With your assistance in the matter now before you, the section 8 program can continue to move toward achieving the goal of providing decent, safe, and sanitary housing for the citizens of this country.

As events of the past year have shown, section 8 does have a wide acceptance in the field, as the housing community has begun to realize its many positive attributes. Section 8 contains virtually all the requisites of an ideal housing subsidy program: simplicity and adaptability; sufficient subsidy to house the very poor; and escalating subsidy to compensate for inflation; a broad range of eligible recipients; participation by both private and public sponsors; and financing mechanisms.

The maintenance and upgrading of our existing housing inventory is a pressing need in all of our cities. The section 8 concept is utilized for existing units either in sound condition, new, or capable of rehabilitation. No housing subsidy program ever encompassed the use of sound existing units as does section 8.

Under section 8, a tenant will pay no more than 25 percent of his income for rent and often pays less. There are no tenants "too poor" for section 8 as was the case with section 236. However, the program does not benefit the very poor alone. Families with income less than 80 percent of area median income are eligible for assistance—40 percent of all families. Their contributions are increased as their income increases.

An ideal housing program should encompass all potential sponsors—private, public, and nonprofit—depending on local needs. Under section 8, all sponsors can participate; indeed, private and nonprofit entities often participate in the same venture.

Securing financing for section 8 projects has been the program's greatest deficiency, although this problem seems to be lessening. Publication of HUD regulations providing debt service payments for unoccupied units for up to a year has provided additional program security that may attract lenders to make mortgage money available to section 8 projects, either through conventional loans or through the purchase of bonds issued by local finance agencies. HUD's recent regulations permitting increases in contract rents will enable developers to secure more feasible rents, thus increasing participation. The administration's proposal to extend the term of conventional financed section 8 projects from 20 to 30 years should also enhance the financing of section 8. The new administration, in short, has shown a commitment to make this program work effectively, and this commitment should be matched by the Congress.

Having stressed the many positive aspects of the section 8 program I would now like to address an issue that has received much attention—whether section 8 is too costly as compared to the public housing program. At the outset let me make it very clear that NLHA as an organization, and I personally, strongly believe in the necessity of an effective public housing program and that section 8 should in no way be our only subsidy mechanism. Indeed, most of our public agency members in NLHA operate public housing programs. On the other hand, NLHA opposes equally strongly the notion that we should divert funds from section 8 to return to public housing as a cost-saving measure. There is no evidence to support an assumption of cost savings on this basis.

First, while it is difficult to make accurate cost studies of these programs, under any study that we have seen—the Congressional Research Service, HUD, or the General Accounting Office, the total cost per unit differential between section 8 and public housing is slight—the maximum is a $100 per unit difference under the GAO study. These studies show a marginally greater cost to the Federal Government in the section 8 program because part of the public housing cost is reduced through the local abatement of full real estate taxes. Section 8 projects pay full local real estate taxes. Although in the short run, public housing units may mean a smaller direct outlay by the Federal Government on a unit basis, we believe that even from the Federal perspective this is a shortsighted analysis. As the committee well knows, our localities are very pressed for revenue and are more and more looking to Washington as a source of supplemental funding either directly or through the CD, CETA, public works, general revenue sharing, or other programs. Accordingly, revenues lost by localities on real estate taxes not paid by federally assisted public housing projects may well have to be made up by the Federal Government in some other form—directly or indirectly.

Second, none of the studies take into account one Federal cost of public housing—the Federal guarantee of the local bonds issued to finance public housing projects. The cost is a real one; for example, the Federal Government still must make payments over the 40-year life of the bonds for the Pruitt-Igoe project in St. Louis which was dramatically dynamited some years ago. Under the section 8 program, the Federal Government does not assume any responsibility for paying for units that are not usable.

Third, we believe that these studies could be inaccurate in other respects. For example, the studies did not take into account the Federal expenditure for public housing modernization, an item of increasing budgetary importance. Moreover, the studies assume the same per-unit cost for a section 8 unit and one built under the public housing program, not taking into account low-interest Federal loans to fund LHA development expenses and costly delays that have plagued public housing development in the past. In the construction business, time is money and such delays can well drive up the cost of public housing units beyond what they would be under section 8 processing. Such possibilities are speculation at this time, but they emphasize the need for more sophisticated cost analysis before conclusions are made on true program costs.

Equally as important as the question of comparative costs is the issue of tenant acceptance. Since both section 8 and the low rent public housing program serve the same eligible population, which one appears to be more readily accepted by tenants? In a recent HUD report, based on a short-term reconnaissance study of the section 8 existing housing program, the survey found that in a number of areas local housing authority directors expressed the feeling that most low-income households, including those already being housed in conventional low-rent public housing, would greatly prefer the section 8 program. The implications of this for successful and economic management of subsidized units under section 8 are quite favorable. In some communities a number of section 8 beneficiaries are former tenants of low rent public housing, thus opening up a greater range of housing choice for the beneficiaries of both programs. In addition, the section 8 program has a greater potential for meeting the locational criteria of the 1974 Housing and Community Development Act more quickly than can the conventional public housing program.

Again, let me reiterate that these remarks should not be construed as opposition to public housing in any way. The public housing program must continue. They are merely advanced to put the relative cost question in its proper context. When this is done, we believe that the purported marginal cost differential between public housing and section 8 generally will largely disappear.

I do not need to remind this committee of the disruption to our housing programs of the fits and starts (or perhaps I should say nonstarts) of the past. With a new administration now pledged to progress, picking up the pace set by Congress in the past, we urge approval of its recommendations.

Mr. Cook. Thank you.

For sake of brevity, I would like to stress three points. First, the National Leased Housing Association strongly supports the administration's proposed housing budget for fiscal year 1978. That is our primary purpose for being here.

Second, I would like to comment briefly on the merits of the section 8 program and, lastly to comment briefly on the relative cost of the section 8 to the traditional public housing program.

First, as I stated, the National Leased Housing Association supports the administration's housing budget request for fiscal year 1978, and recommends that the subcommittee approve $1,232,120,000 in contract authority and $32,788,300,000 in budget authority for fiscal year 1978. This is the identical amount that the administration is requesting.

I would stress next, that the section 8 program is finally getting off the ground after an admittedly slow start. The program is gaining wider and wider acceptance in the field as the housing community begins to realize its various positive attributes. The section 8 program contains virtually all the requisites of an ideal housing subsidy program. This includes simplicity and adaptability, enough subsidy to house the very poor. There is no family that is too poor to qualify for section 8. And it has an escalating subsidy to compensate for inflation.

Under many other programs, that matter of inflation has not been fully addressed except through various types of makeshift subsidy arrangements such as the annual operating subsidy. There is under section 8, a built-in consistent provision for escalation. The program also is one which provides housing for a broad range of eligible persons. It is not, in that sense, a substitute for traditional public housing. It meets the needs of both low- and moderate-income families.

Lastly, it is a flexible program, in the sense that many types of sponsors can participate. It is not wedded specifically to a public housing authority or to a nonprofit corporation or to a profit-motivated developer. All of those types of organizations, as well as the State finance agency can participate in the program. As you no doubt know, one of the main problems of the section 8 program has been the difficulty of financing it. This is recognized as one of the main reasons why the program had a little difficulty getting off the ground. This problem seems to be lessening. I noted in the San Francisco newspaper Sunday, as an illustration, a meeting of homebuilders. There seems to be more interest on the part of private parties in investing in the section 8 program, using the more conventional financing techniques, rather than special kinds of measures.

A number of technical changes have been made, or are in the process of being made to help make the financing easier. One example is the administration's proposal to extend the term of the conventionally financed section 8 projects from 20 to 30 years.

I am advised the markup on that technical amendment is to occur today.

Another item of equal interest is that the amendment to the 1976 Housing Authorization Act to permit payment of debt service for 1 year on vacant units was approved by the Congress.

I would like to address briefly the question of relative cost. The statement has been made that section 8 is too costly in comparison to traditional public housing. I want to stress at the outset that both our organization and myself personally support both traditional public housing and section 8. As you will note from the introduction, I have administered a block grant program so I can look at this with some objectivity. I think the main thing I would like to say about all of these cost studies, is that when all is said and done, they show relatively little cost difference between the programs. Let's take the famous GAO study of last summer. I did a little bit of arithmetic. While the study states that the public housing program is slightly less expensive when one takes into account both direct and indirect cost, the percentage variance is something less than 4 percent.

I am reminded this is not too unlike public opinion polls in the sense that you use very precise mathematical procedures, fancy tables and everything; but there is still a margin for error. I will have to look very carefully at the assumptions on which the studies are based.

The other thing I would like to say on the general matter of cost, is that as sophisticated as certain of the studies are, there are some deficiencies, and admittedly a very difficult area of analysis. For example, in the GAO study, the analysis did not take into account the Federal expenditure for public housing modernization referred to before. It did not take into account the cost of the delay under the traditional public housing program, in part, because of local community resistance to the program. In my State of California, for example, a referendum has to be passed by the voters before public housing can even be built. By the time we work our way through that, the cost of everything goes up.

Similarly, the study, while it addresses such questions as the loss of property tax revenue to a city as an indirect cost, it does not address the question of loss of revenue from State and local income taxes. For example, public housing is traditionally financed through tax-exempt bonds, which are exempt not only from Federal income tax but also from State and local taxes. So, that impact on State and local governments was not measured in the study. I would wind up and state again, that I don't want to have the remarks construed as an opposition to public housing per se, because we feel the program should continue. I simply wanted to make a few remarks about the relative cost, to look at keeping the matter of arithmetic in perspective.

Finally, I would like just to stress that the most important thing I would like to see is adequate funding for the section 8 program, so we can stop this stop-and-start funding problem. The program is just now getting off the ground and it would be tragic to have a sharp reduction in funding which would not enable the program to show what it can do.

I want to thank you very much and I would be happy to respond to questions within your time limitations, sir.

Mr. ALEXANDER. Thank you very much, Mr. Cook.

HUD—Cooperative Housing Programs

WITNESS

JEFFREY G. SPRAGENS, PRESIDENT, FOUNDATION FOR COOPERATIVE HOUSING SERVICES, INC.

Mr. Alexander. The next witness is Mr. Jeffrey G. Spragens, president of the Foundation for Cooperative Housing Services, Inc.

Mr. Spragens. My name is Jeffrey Spragens, president of FCH Services. Appearing with me is Mr. Harry Horrocks, our legislative liaison.

Mr. Chairman, before I proceed with my remarks, I would like to say that I will try to summarize them very briefly.

Mr. Alexander. Thank you very much.

Without objection your remarks will appear in the record as they are submitted.

You might summarize, highlight any portion of those remarks which you may desire or choose.

[Complete statement follows:]

Statement of Jeffrey G. Spragens

Mr. Chairman and members of the committee: I am pleased to appear before you today to present the views of FCH Services, Inc. FCH Services, Inc. is a wholly-owned subsidiary of the foundation for cooperative housing and is the largest sponsor and manager of cooperative housing in the United States.

I. Cooperative Housing Today

Today, there are almost 500,000 cooperative housing units in the United States, housing almost 1.2 million people. The majority are located in urban areas, and provide homeownership for citizens who could not otherwise possess such benefits. It has been demonstrated on many occasions that cooperative homeownership is not only of great benefit to the residents, but is of tremendous value to our cities and to the entire country.

Of the 500,000 cooperative units cited above, over 200,000 were built using HUD cooperative housing programs. These units are for low and moderate-income families and by and large have achieved an outstanding record. In fact, the section 213 cooperative program is so successful that over $30 million of mortgage insurance premiums have been returned to the cooperatives because of their low default rate.

FCH has sponsored over 70,000 units of cooperative housing, virtually all of them under the HUD programs. HUD's involvement was indispensible in achieving this production record. However, in the past few years, HUD has virtually dismantled the office of the special assistant for cooperative housing and has scattered its functions throughout HUD. Because of this, the general slowdown of HUD's programs, and the general unavailability of mortgage money without prohibitive discounts, cooperative housing has suffered.

II. The Advantages of Cooperative Housing

1. FOR THE OWNER-RESIDENT

Housing cooperatives provide many benefits to their owner-residents:

(*a*) *Ownership.*—In contrast to renting, the owner-resident's (member's) stock and proprietary lease on a dwelling unit in the cooperative constitute a growing asset as the blanket mortgage is amortized. Members also participate in increased market value that may have accured at the time he/she leaves the cooperative. The member's share of taxes and interest on the mortgage are deductible from taxable income.

(*b*) *Reduced costs.*—Compared with the same quality of rental units, housing cooperatives afford their members substantial savings, resulting from nonprofit operation, personal tax benefits, and lower maintenance costs. As against single-family housing or condominiums, savings come from blanket mortgage financing,

bulk purchasing, and owner cost multifamily maintenance and management services. Transferability of ownership interests is easy and does not require expensive title and legal fees.

(*c*) *Better maintenance.*—Since the entire cooperative, including the individual dwelling units as well as the common property, is owned jointly by all the residents, the members take an owner's responsibility and pride in maintaining all their property. Also, funds for proper maintenance, repairs and replacements are included in the monthly carrying charges.

(*d*) *Stable communities.*—Housing cooperatives experience lower turnover of residents than do equivalent rentals. Joint ownership and control of the property raises the level of community morale, encourages self-policing, and reduces the sense of transiency that frequently infects rental developments. Sense of community keeps crime down in cooperatives situated in troubled areas.

(*e*) *More amenities.*—Since cooperatives are designed to serve their owner-residents, community facilities, such as recreation and meeting rooms playgrounds and the like, are usually better planned and maintained than in equivalent rental housing. In addition, many established cooperatives budget for long-range improvements in community amenities. Volunteer committees are effective in organizing activities and overseeing maintenance. The spirit of home ownership also stimulates members to take an interest in property improvements within their individual homes.

(*f*) *Built-in opportunities for community leadership.*—Every housing cooperative is organically a democratic "mini-government." Each member has a vote in electing the Board of Directors and in determining the basic policies of the community This places direct responsibility for the welfare of the community on the residents, encourages active participation in community affairs, and affords opportunities for leadership. Housing cooperatives are training grounds for democratic leaders.

2. ADVANTAGES TO COMMUNITY AT LARGE

The communities in which housing cooperatives are situated share in many of these benefits. Housing cooperatives are focal points of stability. Their sound financial planning and operation make them reliable taxpayers. Their members' stake in the property protects against vandalism and neglect, and they help to maintain or improve surrounding property values. The good citizenship of their residents keeps down the cost of municipal services, police, fire and social services in particular. Their members frequently are active in civic affairs, extending to the community at large the knowledge they have gained in operating these smaller, democratic organizations.

Many members of housing cooperatives learn from their experiences in these democratic organizations that American government is not "they" but "us." This constitutes a very basic and organic contribution to the Nation.

3. SPECIAL ADVANTAGES FOR INNER-CITY HOUSING PRODUCTION

For the new administration, aiming to restore multifamily housing production quickly, cooperatives offer a very special advantage. They are independent of the long-term equity market. Recent experience has discouraged equity investment in multifamily projects, especially those for below-median income groups in the inner city, and it will take a long time before confidence is restored, even if tax shelters remain available and the threat of rent control ended. But in cooperatives, the equity is provided by the owner-residents' downpayments. Cooperatives are attractive to builders if existing HUD programs are revitalized and made workable. Experience has shown that housing cooperatives, when planned, organized and managed by technically competent and seasoned sponsors and professional management agents, afford HUD and local/State housing agencies the best means for urban renewal on redevelopment sites.

III. FCH Recommendations

1. SECTION 8.—HOUSING ASSISTANCE PROGRAMS

(*i*) *Funding levels*

Section 8 is HUD's major subsidy program. Cooperative housing is specifically eligible to receive section 8 assistance. However, thus far, virtually no cooperative housing has been built to specifically receive section 8 assistance. I will discuss the changes needed to eliminate the obstacles preventing the use of cooperative housing and section 8 assistance below. FCH supports HUD's budget

requests for $1.2 billion in contract authority for both section 8 and public housing for fiscal year 1978. HUD's budget requests would support some 344,000 units of section 8. However, HUD's projected division of money would have only 57 percent for new construction and 43 percent to aid families in existing housing. FCH believes that the mix should be a statutory requirement of 70 percent for new construction and 30 percent for existing. The section 8 program should not only provide housing for lower and middle income families, but should be a major stimulus to new housing construction.

(ii) Budgetary practices

Current budget practices which require a total run-out cost for subsidized housing programs distort the expense of the section 8 program and unfairly discriminates against the program. We recommend that the law should be amended to prevent such distortion and discrimination.

(iii) Need for project financing

One of the major problems confronting the production of cooperative housing which utilize section 8 assistance is the lack of built-in mortgage financing. The current Tandem 23 program is barely workable because of the 2½ discount points required. But without that program, the FHA mortgage insurance financing would be worthless because traditionally the FNMA discount for a section 221(d)(3) market rate program is even greater than 2½ percent. In a cooperative, these points must be paid by the cooperative members as part of their downpayments and such discount points make the program prohibitively expensive for section 8 families. Therefore, FCH urges that the Tandem program be extended and continued and that nonprofits and cooperative mortgages be purchased at par. If this is impossible, FHA should include in its estimate of replacement costs, the amount of discount points necessary to place the permanent mortgage.

FCH supports a proposed amendment to section 8(c)(4) which is being suggested by the National Leased Housing Association. This amendment would overcome some of the problems raised by conventional lenders who continue to be concerned about the security of the project mortgage because of the lack of an assured project income to cover principal and interest payments on section 8 units. The proposed amendment would assure housing payments equal to debt service and should encourage projects to use conventional financing. It should also improve the marketability of bonds issued by State housing finance agencies.

(iv) Special set-aside for cooperatives

Under the section 221(d)(3) BMIR and section 236 programs, cooperative housing constituted a significant production component. However, as stated above, little or no cooperative housing has been produced for section 8 assistance. One of the explanations for this problem is that cooperative housing is principally for families. Cooperative housing generally is townhouse construction and design with lower land use density. Such design and low density provide a more wholesome living environment for large families, but section 8 funding criteria discriminate against higher cost projects. In addition, the notifications of funding availability (NOFA's) have never indicated that cooperative housing is eligible even though section 8 clearly provides for cooperative housing. FCH understands that HUD is now sympathetic and is in fact moving to correct these deficiencies which have prevented production of family type and cooperative housing. We urge that a special set-aside be made in the future which would assure that at least 10 percent of the section 8 program be set aside for cooperative housing.

2. TANDEM 23 PROGRAM

The GNMA Tandem program 23 has been responsible for developing moderate income FHA-insured projects, such as rental projects insured by FHA under section 221(d)(4), during this long-continued time of high mortgage interest rates and discounts. Many, if not most, section 221(d)(4) projects will not be economically feasible if debt service has to be calculated at more than 7½ percent interest rate because: (1) Prospective tenants can't afford the rents required to carry a 90-percentage mortgage; and (2) prospective sponsors can't afford the equity required by low ratio loans. Program 23 was also to help develop section 221(d)(3) market rate cooperatives, but has not done so, for reasons stated below.

It is fallacious ot say that Tandem 23 is not needed because $1.77 billion, of the $2 billion made available in fall 1976, are still available. It is believed that FHA is processing hundreds of projects now which will depend upon Tandem 23 for financing. However, there are two reasons why Tandem 23 commitments are now moving slowly:

(1) GNMA changed its procedures and now will issue a Tandem 23 commitment only after the project has achieved a conditional mortgage insurance commitment from FHA. Obviously, with slow FHA processing (its expert processing staff was depleted by the moratorium of January 1973), hundreds of FHA projects can be in processing—yet few GNMA commitments would be applied for.

(2) GNMA penalizes those who seek an early Tandem 23 commitment. GNMA charges a fee when its Tandem 23 commitment is issued; its life is but 2 years; and extension fees are charged to prolong a commitment. Since it may require a year between FHA's conditional and its final (or firm) commitment, and with $1.77 billion of authority left, a developer will still delay as long as possible in buying the GNMA Tandem 23 commitment.

Last year, when restrictions were even more onerous, there was a sudden, tremendous rush to obtain GNMA commitments before the program was set to expire. Obviously, these projects had been processing for years.

Housing projects require long lead time, from 18 months to 2½ years; in order to begin, developers must know there will be 7½ percent permanent mortgage financing.

It would be extremely helpful to the economy if Tandem 23 were relaxed so as to fit nonprofit cooperative housing. Few, if any, cooperative housing projects applied for Tandem 23 financing; the projects being nonprofit cannot pay the substantial fees required in advance by GNMA.

For nonprofit cooperatives, the GNMA commitment fee should not be paid until a firm FHA mortgage commitment is issued and initial closing occurs. The 2-year life of the GNMA commitment should begin when construction begins, and not earlier, as is the case in every other program. Now, to be sure of Tandem 23 financing, the GNMA commitment must be bought when a conditional FHA mortgage insurance commitment is issued. This adds another year of fees for the GNMA tandem financing; under FHA's present rate of processing much time elapses between the conditional commitment and the final or firm commitment.

In addition, for nonprofit cooperatives, Tandem 23 should eliminate the mandatory 2½ percent discount. Historically, GNMA provided par financing to nonprofit cooperatives, while profit-motivated mortgagors were required to absorb discounts of several points.

Further, GNMA should be required to set aside part of its contract authority for nonprofit housing cooperatives. This is consistent with GNMA's prior practices, as in special assistance program No. 6 (which is no longer operable but which should be revived). With a set aside, sponsors of nonprofit cooperatives can develop projects without being placed in a race to the wire for available GNMA contract authority.

Finally, for nonprofit corporations, GNMA's commitment fee should be reduced to 1 percent and as said before, not payable until a firm FHA mortgage insurance commitment is issued and construction has begun. GNMA should not require nonprofit cooperatives to pay extension fees where delay in delivering the loan to GNMA is beyond the reasonable control of the sponsor-mortgagor.

3. SECTION 235

Cooperative housing has always been eligible to receive section 235 assistance and FCH strongly supports HUD's proposed program for an additional 100,000 units of section 235 for fiscal year 1978. However, cooperative housing at this time is unable to use the section 235 program as revised by the prior HUD administration. We understand that HUD is currently correcting this technical problem. Furthermore, section 235 provides that only cooperatives financed under section 213 of the National Housing Act are eligible for section 235 assistance. FCH recommends that projects financed under section 221(d)(3) should likewise be eligible for section 235 insurance. This would require an amendment to section 235(b)(2)(A).

4. ADEQUATE HUD STAFFING

(*i*) *General HUD staffing*

FCH strongly supports Secretary Harris' request for 1,220 new full-time staff positions for fiscal year 1978. We understand that some 60 percent or 733 are for housing programs. There have been only 50,000 units of subsidized housing starts in fiscal years 1975 and 1976. Projected starts for 1977 are 131,000 with reservations of 510,000 units. This means a substantial increase in subsidized housing production. To carry this out, existing HUD housing production staffs must be augmented.

(*ii*) *Revitalization of Office of Special Assistant for Cooperative Housing*

Long ago, Congress and the President recognized the need within HUD for special help for cooperative housing if it was to flourish. The Housing Amendments of 1955 created the statutory position of Special Assistant to the FHA Commissioner for Cooperative Housing. It provided:

"* * * 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) of the National Housing Act, and section 101 of the Housing and Urban Development Act of 1965 (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. The person so appointed shall be fully sympathetic with the purposes of such sections."

For many years, the Special Assistant had a staff with capabilities and power to handle legal questions, and problems of production and management. The Special Assistant closely coordinated with FHA production and management officials in central office and in the field, and with FHA's general counsel on legal questions. The Special Assistant had authority to initiate and sign correspondence pertaining to cooperative housing. Thus, the Special Assistant helped to create such things as a uniform system of accounts for cooperative housing and other forms currently being used by cooperative loan management.

Cooperative housing flourished when the Office of Special Assistant was implemented and supported by HUD.

Unfortunately, in the last few years, the Office of the Special Assistant was virtually dismantled in spite of the statute, and cooperative housing has taken a steep decline. Congress recently took note of this fact, and the Housing Act Amendments of 1976 includes an amendment to the Special Assistant statute which updates the duties of that office, and makes clear that the Special Assistant should report directly to the Assistant Secretary for Management and Production. The Senate debates in April 1976 are particularly enlightening in stating the importance which Congress attaches to the updating and strengthening of the Special Assistant. We set forth below portions of the debate wherein Congress agreed upon the need for HUD to fulfill the requirements of existing law:

"* * * By this amendment, Congress is making clear that the law requires an appointment of a Special Assistant with adequate staff with the sole responsibility of expediting operations under sections of the Housing Act dealing with cooperatives and to eliminate obstacles to the full utilization of such cooperative housing provisions.

"The Committee feels that there is a need for a Special Assistant and an adequate staff as demonstrated by the fact that HUD has been unable to promulgate regulations to activate section 246 and 203(n) of the National Housing Act, even though these Sections became law almost 2 years ago * * *

"Therefore, this amendment would also make clear that the Special Assistant should report not only to the FHA Commissioner who is responsible for cooperative production, but also to the Assistant Secretary for Housing Management who is responsible for management for cooperative * * *." (Congressional Record—Senate, April 27, 1976, p. 6017).

During the latest HUD reorganization creating an Assistant Secretary for the Office of Housing, HUD did actually appoint a Special Assistant for Cooperative Housing. However, no other requirements of the statute were implemented.

FCH recommends that Congress specifically earmark a portion of the HUD staffing budget for the Office of Cooperative Housing. The Office needs at least 10 full-time staff members.

5. IMMEDIATE IMPLEMENTATION OF SECTION 246.

Section 246 became law in the fall of 1974 and draft regulations have never even been published for comment. Section 246 makes clear that HUD could dispose of HUD-owned multifamily property to nonprofit cooperative ownership. The new Secretary should direct the Office of Property Disposition to implement this program immediately in order to give additional alternatives in dealing with the problems of HUD-acquired properties. The congressional reports stated that Congress anticipated that a significant number of HUD properties would be disposed of using the provisions of section 246.

In addition, FCH understands that a recent congressional investigative team has cited inconsistent policies and poor management techniques in HUD's Office of Property Acquisition and property disposition program. These findings, along with FCH's experience, indicates to us that HUD should be specifically directed to utilize the section 246 program.

6. REACTION OF COOPERATIVE SPECIAL ASSISTANCE PROGRAM (GNMA PROGRAM SIX)

During the effective life of FNMA (now GNMA) program 6, which started August 16, 1955, the total amount of mortgages purchased by FNMA/GNMA was $365 million. This figure represents a total of 26,000 cooperative dwelling units. This special assistance program was dropped in 1964, because it was thought that the successful cooperatives no longer needed special financing. Presently, because of the discontinuation of the program and the subsequent rise in long-term interest rates, the section 213 cooperative financing is badly hampered by unacceptable discounts. In addition, the money being repaid to GNMA in mortgage payments from these cooperative units is not used to finance new cooperative housing mortgages. This program should be reactivated at once so that the repayments would be an immediate source of financing for new cooperatives.

7. COOPERATIVES AND HUD'S DEPARTMENT OF POLICY, DEVELOPMENT AND RESEARCH

Many provisions of the law have remained unused and ignored by HUD. Section 203(n) which would provide needed HUD financing for purchases of mortgages in existing cooperatives, section 235 and 246 are examples of existing laws which are not being utilized. The new HUD administration appears to be responsive and sympathetic to these programs. However, without a strong and active Special Assistant for Cooperative Housing, HUD simply does not have adequate staff to implement these programs. Therefore, in addition to the need for a Special Assistant with adequate staff, a small fraction of the HUD P.D. & R. program should be devoted to making cooperative programs operational. FCH recommends that $2 million of the P.D. & R. budget be earmarked for cooperative housing program initiations.

Mr. SPRAGENS. Thank you. I would like to start by saying, cooperative housing is a very important segment, through a small part of the total housing in the United States. There are approximately 500,000 cooperative units in the United States. Of the 500,000 units we estimate about 200,000 were built using HUD cooperative housing programs. During the past 25 years we have sponsored over 70,000 cooperative units and we currently manage 14,000 units of housing throughout the United States. We are a public nonprofit foundation.

We feel with the current emphasis on trying to improve the housing stock in our central cities, that cooperative housing offers a very interesting alternative to rental housing. The major problems facing rental houses are a lack of investors to come in central cities because of concerns with rent control and other problems. Second, the tax laws are constantly in flux and there may be additional restrictions against the tax shelter aspects of rental housing.

Co-ops, on the other hand, rely first on the HUD mortgage programs and second upon the downpayments of people. The downpayments are generally $500 to $1,000 for low- and moderate-income co-op housing. With these downpayments, using urban renewal land the HUD mortgage programs, we think that cooperative housing will have a large part in the rebuilding of our inner cities.

Concerning section 8, we too support the funding levels requested by the administration. We feel, however, that the breakdown of existing to new construction should be more heavily weighted towards new construction. We recommend the 70 to 30 split. We think that the production of new housing is a very important segment of the national housing situation.

Concerning budgetary practices, we recommend additional congressional study and change will be made in the way the runout of section 8 money is reflected in the budget. We don't think this is fair as relates to other programs, and also as it really relates to the actual cost of section 8. That is our opinion.

Mr. ALEXANDER. There are lots of opinions on section 8.

Mr. SPRAGENS. The need for underlying financing is crucial for section 8, for cooperative housing and nonprofit housing especially. If you don't have a mortgage program that will give you par financing, the people that live in the individual project must come up with the money to cover the discount points. Currently we have been using the Tanden 23 program, and that provides 2½ percent discount points. Without that program we can't use section 8. We have to have a program. If that program isn't continued, FHA would have to consider and include in its estimate of replacement costs the discount points needed to place a mortgage. They have been as high as 6 and 7 points.

On a $30,000 unit, 6 points is $1,800 and a section 8 family can't put down that much. That is a crucial program.

If half of the 40,000 or 50,000 units requested by the administration is developed, at $25,000 a unit, it would result in $3.75 billion of underlying mortgages. Now, assuming the state agencies do a portion of those, we still need several billion dollars of financing for the section 8 projects. I think that the profit motivated sponsors are in the same problem that we are in.

If you can't get 2½ percent or less discounts on your underlying financing, it makes the cash requirements very difficult for section 8 housing. Therefore, we strongly urge a real tie-in with a Government underlying financing program for section 8. The use of the different State programs is very helpful. The Pennsylvania State housing agency was mentioned in previous testimony. We worked for a year and a half on a section 8 project, in the new town, in town, in Philadelphia, only to find the State agency went out of business. Apparently it is back in business, but it ruined the project because we had options on the land for a number of years and they just couldn't remain in action any longer.

Section 235 is a program that cooperative housing could use. We support the request to reactivate that program and the administration's projected target of 100,000 units in 1978. If they make the changes, need to make it workable, it will be a good program again.

Adequate HUD staffing is of great concern to us. We work in approximately 25 FHA offices around the country, and we feel that the

number of people devoted to housing production is not adequate to process the 100,000 units of section 235 that the administration is proposing. Therefore, any request by the Secretary for an increase of some 733 people in the housing programs, we strongly support.

We have a special problem in co-op housing because it is a little more difficult and takes more sophisticated analysis within HUD for underwriting purposes. HUD in 1955, according to law, started an Office of the Special Assistant for Cooperative Housing. At one time there were 17 staff members. Now there is one man who is also in charge of condominium housing. We have 4 or 5 laws that Congress has passed to make co-op housing work and HUD hasn't been able to get them implemented. We strongly recommend that the Appropriations Committee require that at least 10 spots—10 positions out of the total of thousands of people at HUD, be devoted to following the law that requires the establishment of a special assistant and adequate staff. Recently, last year in fact, the law was amended by Congress to update the functions of the special assistant. HUD has ignored this law, and as a result, there has been both a dramatic decline of production of cooperative housing and a decline of the quality of HUD's service to cooperative housing.

There is a law, section 246 of the National Housing Act which provides for disposition of HUD-owned properties to cooperatives. HUD hasn't used that law. It has been on the books 2 years. We note there has been recently a congressional task force which cited some criticism of HUD property disposition programs. We have had great difficulties working with HUD concerning this section 246. We have analyzed three or four projects which we think would pay a greater amount to HUD if they were sold to cooperatives. However, HUD has not put the program in action. We ask for assistance from Congress to try to get HUD to utilize this program, at least on a demonstration basis. Congress considered it at great length and I think it would be helpful.

Underlying financing is so difficult and it is of such major importance to us we ask this committee to consider reactivation of a program that was started in 1955. It was called the GNMA Program 6, and the program provided for purchases of FHA cooperative mortgages. It purchased $365 million worth of mortgages for 26,000 units of co-op housing. It was discontinued in 1964 by then President Johnson. The money is continuing to be paid back on these mortgages, with such success it is the best rate of any of the HUD mortgage insurance programs. At the very least the revolving fund concept that was always inherent in this program should be activated again so that the funds will be available to purchase at par co-op HUD insured mortgages.

Finally, HUD's budget is quite large for the policy and research area, approximately $60 to $70 million. We feel at least $2 million should be earmarked to help HUD develop its policies on co-op housing such as section 236, 225(n), and all of the provisions that have been inadequately promulgated. Without a viable office for Special Assistant for Co-op Housing, HUD should at least put some resources toward the development of policy for the cooperative housing field.

One more minute. I will say the average price of a home now is $40,000. Only 20 percent of the Americans can afford this price. In 1970 it was about 40 percent. Then Secretary Romney was concerned, that only two out of five American families can afford a home. Now only one out of five can afford a home. I think this will result in serious social problems if we don't do something about that. HUD is a small part of how we can make progress.

Finally, I am going to submit a study on the cost of section 8. I quickly did something here that we are working on now. Section 8 serves a broad range. We basically will serve a range of $7,000 to $12,000 of income in cooperative housing. Below that is public housing and nonprofit housing.

In the District of Columbia we are building a project now where a family of four making $10,000 would have to pay $200 a month to live in the project. The market rate is actually $400 a month. That means there is a $200 subsidy, $2,400 a year. Section 8, however, will set aside maybe $4,000 a year to be used in case of future increases. Our studies in our 25-year history show people's income ought to stay up and keep up with expenses. If it doesn't, we have shown tables on what happens if operating costs go up 10 percent and a person's income goes up only 5. If that happens, the subsidy goes up 25 percent. If it doesn't, there is no increase in subsidy. I think there is something wrong in the way that these costs are being compared.

I want to take it one step further than Mr. Cook before me and present an analysis to the committee that if this program serves the same percentage of section 236 families as before, I don't think the costs are going to be anywhere near the total potential cost.

Mr. ALEXANDER. We look forward to receiving that supplemental information. Without objection that will appear in the record following your remarks.

[The information follows:]

SECTION 8 SUBSIDY ANALYSIS

PURPOSE

The purpose of the accompanying chart is to give a concrete example of the vast potential discrepancy between the authorized allocation of section 8 subsidy for a housing development, and the actual section 8 subsidy which is used.

APPROACH

Our approach is to take a specific project, located in Washington, D.C., which has recently been issued a firm commitment, under section 236 of the National Housing Act. Adjustments to convert this development to section 8 project are made as follows:

The subsidy is changed from an interest subsidy to contract rents.

Debt adjustments have been made to reflect the slightly different long term financing.

SECTION 8 FACTORS

Several facets of the section 8 program need to be noted: The authorized subsidy under section 8 for each project is equal to the total contract rents.

The residents of section 8 projects generally pay 25 percent of the adjusted gross income for rent, exceptions include very large families, or those with large medical bills. Our analysis will use, for simplicity sake, the 25-percent rate.

Sponsors are required to lease up at least 30 percent of units to very low income families (50 percent of median income).

BASIC PROJECT ECONOMICS

Project cost: $5,299,400.

Units: type	Number	Assumed contract rents
1 bedroom	16	$324
2 bedrooms	82	382
3 bedrooms	48	457
4 bedrooms	16	552

OPERATING EXPENSES

Includes all utilities: $326,574 ($2,016 PUPA).

PERMANENT FINANCING

GNMA program 23, 7.5 percent—40-year mortgage.

INCOME LIMITS—SEC. 8, WASHINGTON, D.C.

Family size	Low income [1]	Very low income [2]
1	11.300	7,100
2	12,900	8,100
3	14,600	9,100
4	16,200	10,100
5	17,200	10,900
6	18,200	11,700
7	19,200	12,500
8	20,300	13,300

[1] 80 percent of median per HUD effective April 1976.
[2] 50 percent of median per HUD effective April 1976.

CHART EXPLANATION

The accompanying chart shows under two different sets of conditions, the difference between the amount of subsidy authorized for the project and the amount actually used. The first condition is under the assumption that all the units are rented to people who have adjusted gross incomes equal to the low income (80 percent of median) as established by HUD. On the chart the contract rent (A) less the resident payment (B) is equal to the HUD subsidy payment per month by unit type (C). The second condition is under the assumption that all the units are rented to people who have adjusted gross incomes equal to the very low income (50 percent of median) as established by HUD. On the chart the contract rent (D) less the resident payment (E) is equal to the HUD subsidy payment per month by unit type (F). Finally, we have shown by comparison the authorized section allocation, and the amount actually used.

CONCLUSION

Under condition one of low income the section 8 subsidy authority was $807,312, the amount actually used is $124,728. The section 8 subsidy use is about 15.5 percent of that which was authorized.

Under condition two of very low income the section 8 subsidy authority was $807,312, the amount actually used is $374,496. The section 8 subsidy use is about 46.5 percent of that which was authorized.

While our analysis is static rather than dynamic (that is a point in time, rather than over time) we think it graphically illustrates the vast potential difference between authorization and use.

SEC. 8 SUBSIDY ANALYSIS

Unit type	Low income (80 percent of median income)			Very low income (50 percent of median incomes)		
	Contract rent per month (A)	25 percent of low income limit: Resident payment per month (B)	HUD Sec. 8 subsidy payment per month (C)	Contract rent per month (D)	25 percent of very low income limit: Resident payment per month (E)	HUD sec. 8 subsidy payment per month (F)
1 bedroom	$324	$268	$56	$324	$169	$155
2 bedrooms	382	337	45	382	210	172
3 bedrooms	457	379	78	457	244	213
4 bedrooms	552	423	129	552	277	275
Annual contributions authority (subsidy allocation)	807, 312			807, 312		
Per unit	4, 983			4, 983		
Payments by residents		682, 584			432, 816	
Per unit		4, 213			2, 672	
Actual sec. 8 subsidy used			124, 728			374, 946
Per unit			770			2, 312

FHA FORM NO. 3201
Rev. 10/72

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

APPLICATION FOR MORTGAGE INSURANCE

Form Approved
OMB No. 63-R0624

*Cooperative Housing - Condominium Housing
☐ Section 213 ☐ Section 221 ☐ Section 234 ☐ Section 236

☐ Feasibility
☐ Conditional
☐ Firm

(TO BE SUBMITTED IN TRIPLICATE)

Date:
Mortgage Amount: $
Project Name: SHAW SCHOOL #15, as Section 8 Project
Project No.:

A. LOCATION AND DESCRIPTION OF PROPERTY:

1. Street Nos.	2. Street	3. Municipality	4. Census Tract	5. County	6. State and Zip Code

7. Type of Project: ☐ Elevator ☐ Walkup ☐ Row (T.H.) ☐ Detached ☐ Semi-Detached
8. No. Stories:
9. Foundation: Slab on Grade ☐ Full Bsmt. ☐ Partial Bsmt. ☐ Crawl Space ☐
9.a Basement Floor: Structural Slab on Grade ☐ Slab ☐
10. ☐ Proposed ☐ Existing
11. Number of Units: Revenue 161; Non-Rev. 1
12. No. of Bldgs.:
13. List of Accessory Bldgs. and Area:
13.a List Recreation Facilities and Area:

SITE INFORMATION

14. Dimensions: ft. by ft. or sq. ft.
15. Zoning: (If recently changed, submit evidence)

BUILDING INFORMATION

16. Yr. Built
16.a ☐ Manufactured Housing ☐ Conventionally Built ☐ Modules ☐ Components
16.b Exterior Finish
17. Structural System
17.a Floor System
18. Heating-A/C System

B. INFORMATION CONCERNING LAND OR PROPERTY:

19. Date Acquired	20. Purchase Price	21. Additional Costs Paid or Accrued	22. If Leasehold Annual Ground Rent	23. TOTAL COST	24. Relationship-Business, Personal or Other Between Seller & Sponsor
	$	$	$	$	

25. Utilities- Water ☐ Public ☐ Community; Sewers ☐ ☐
26. Unusual Site Features- ☐ Cuts ☐ Fills ☐ Rock Formations ☐ Erosion ☐ Poor Drainage ☐ High Water Table ☐ Retaining Walls ☐ Other (Specify) ☐ None

C. UNIT COMPOSITION AND CHARGES:

27. No. Units	Unit Type	No. Rms.	Liv. Area (Sq. Ft.)	Composition of Unit	Contemplated ** Down Payment	Unit Charge ** Per Month	Total Monthly Charge **	Total Annual
16			632	1BR	$	$ 324	$ 5,184	
82			847	2BR		382	31,324	
48			1,056	3BR		457	21,936	
16			1,253	4BR		552	8,832	
28. TOTAL ESTIMATED CHARGES FOR ALL FAMILY UNITS **							$ 67,276	$ 807,312
29. No. Parking Spaces- ☐ Attended ☐ Self Park: Open Spaces ____ @ $ ____ per month; Covered Spaces ____ @ $ ____ per month								
30. Commercial: Laundry Area-Ground Level ____ Sq. Ft. @ $ ____ per sq. ft./mo.; Other Levels ____ Sq. Ft. @ $ ____ per sq. ft./mo.							438	5,256
31. TOTAL ESTIMATED ACCESSORY INCOME AT 100% OCCUPANCY							$ 438	$ 812,568

32. Gross Floor Area- Sq. Ft.
33. Net Rentable Residential Area- Sq. Ft.
34. Net Rentable Commercial Area- Sq. Ft.

35. NON-REVENUE PRODUCING SPACE

Type of Employee	No. Rms.	Composition of Unit	Location of Unit in Project

D. EQUIPMENT AND SERVICES INCLUDED IN CHARGES: (Check Appropriate Items)

36. EQUIPMENT-
☒ Ranges - Original (Gas or Electric)
☒ Ranges - Replace. (Gas or Electric)
☒ Refrig.-Original (Electric)
☒ Refrig.-Replace. (Electric)
☐ Air Conditioning (Equip. Only)
☐ Kitchen Exhaust Fan
☐ Laundry Facilities
☐ Disposal
☐ Dishwasher
☐ Carpet
☐ Drapes
☐ Other (Specify).

37. SERVICES-
GAS: ☐ Heat ☐ Hot Water ☐ Cooking ☐ Air Conditioning
ELEC: ☐ Heat ☐ Hot Water ☐ Cooking ☐ Air Conditioning ☐ Lights, etc., in Unit
OTHER FUEL: ☐ Heat ☐ Hot Water
☒ WATER ☒ GROUNDS MAINT. ☒ OTHER Major Interior & Exterior Repairs

38. SPECIAL ASSESSMENTS:
a. ☐ Prepayable ☐ Non-Prepayable
b. Principal Balance $ None
c. Annual Payment $
d. Remaining Term ____ Years

* This form is appropriate only for Management and Investor-Sponsor Type Cooperative projects. In Sales type projects under Section 213, FHA Application Form 3202 should be used.
** Cooperative Only

E. ESTIMATE OF ANNUAL COMMON EXPENSE:

-ADMINISTRATIVE-

A* 1. Apartment Resale Expense $ _____
A 2. Management ---------- _____
A 3. Other ---------- _____
A 4. TOTAL ADMINISTRATIVE $ _____

OPERATING-

A 5. Elevator Main. Exp. ----- $ _____
A 6. Fuel (Heating and Domestic Hot Water) -- _____
A 7. Lighting & Misc. Power -- _____
A 8. Water ---------- _____
A 9. Gas ---------- _____
A10. Garb. & Trash Removal -- _____
A11. Payroll ---------- _____
A12. Other ---------- _____
A13. TOTAL OPERATING -- $ _____

MAINTENANCE-

A14. Decorating ---------- $ _____
A15. Repairs ---------- _____
A16. Exterminating ---------- _____
A17. Insurance ---------- _____
A18. Ground Expense ---------- _____
A19. Other ---------- _____
A20. TOTAL MAINTENANCE -- $ _____
A21. Replacement Reserve (.0060 or .0040 x) Total structures from Line 50 ---------- $ _____
22. TOTAL COMMON EXPENSE *(Except Taxes)* $ _____

TAXES-

A23. Real Estate Est. Assessed
* Val. $ _____ @
$ _____ per $1000- $ _____
A24. Personal Prop. Est. Assessed
* Val. $ _____ @
$ _____ per $1000- _____
A25. Empl. Payroll Tax ----- _____
A26. Other ---------- _____
A27. Other ---------- _____
28. TOTAL TAXES -- $ _____
29. TOTAL COMMON EXPENSE ---------- $ 326,574

F. ANNUAL FIXED CHARGES:

30. Interest Plus Curtail 7.94 % $ 420,774
* (Call Insuring Office for Rate)
31. Mortgage Insurance (0.5%)
* (Omit in 221 BMIR and 236 cases) ----- $ 26,497
32. Operating Reserve (3.6%) Vac. Res. (2%) -- $ 38,692
* 33. Total Annual Fixed Charges ---------- $ 485,963
(Include Annual Ground Rent, if any)
34. Tot. Gross Ann. Exp. and Fixed Chgs. --- $ 812,537

G. NET COMMON EXPENSE & FIXED CHARGES

35. Tot. Gross Ann. Exp. & Fixed Chgs. ----- $ 812,537
36. Estimate of Accessory Rental Income ---------- $ 5,256
37. Less Vacancy (2%) $
38. Effective Accessory Rental Income $ 807,281
39. Total Ann. Net Common Expense & Fixed Charge (after deducting common income) -- $ _____
40. Total Monthly Net Common Expense & Fixed Charge ---------- $ _____
41. Total Monthly Net Common Expense & Fixed Charge per SF ---------- $ _____
42. Total Monthly Net Common Expense & Fixed Charge Per Room (_____ Rooms) ----- $ _____

I. ESTIMATED REPLACEMENT COST:

* 43. Unusual Land Improvements $ _____
* 44. Other Land Improvements -- $ _____
A45. Total Land Improvements ---------- $ _____

STRUCTURES-

A46. Main Buildings ---------- $ _____
A47. Accessory Buildings ---- _____
A48. Garages ---------- _____
A49. All other Buildings ------ _____
A50. TOTAL STRUCTURES ---------- $ _____
A51. General Requirements ---------- $ _____

FEES-

A52. Builder's Gen. Overhead @ _____ % ---------- $ _____
A53. Builder's Profit @ _____ % ---------- _____
A54. Arch. Fee-Design @ _____ % ---------- _____
A55. Arch. Fee-Supvr. @ _____ % ---------- _____
A56. Bond Premium ---------- _____
A57. Other Fees ---------- _____
A58. TOTAL FEES ---------- $ _____
59. TOT. for all Improvs. (Lines 45, 50, 51 + 58) $ _____
60. Cost Per Gross Sq. Ft. ---------- $ _____
61. Estimated Construction Time ---------- _____ Months

CARRYING CHARGES & FINANCING-

A62. Int. _____ Mos. @ _____ % on $ _____ -- $ _____
A63. Taxes ---------- _____
A64. Insurance ---------- _____
A65. FHA Mtg. Ins. Fee *(0.5%)* _____
A66. FHA Exam. Fee *(0.3%)* _____
A67. FHA Inspec. Fee *(0.5%)* _____
A68. Financing Fee (%) _____
A69. Other Fees (%) _____
A70. FNMA or GNMA Fee (%) _____
A71. Title & Recording ------ _____
* 72. TOTAL CARRYING CHGS. & FINANCING -- $ _____

LEGAL ORGANIZATION & MARKETING-

A73. Legal ---------- $ _____
A74. Organization ---------- _____
A75. Marketing ---- ---------- _____
76. TOTAL LEGAL, ORGAN. & MKTG. ------ $ _____
A77. Other ---------- $ _____
A78. TOTAL EST. DEVELOPMENT COST *(Lines 59, 72, 76, 77)* ---------- $ _____
79. LAND (Est. Market Price of Site) _____ sq. ft. @ $ _____ per sq. ft. $ _____
80. TOTAL ESTIMATED REPLACEMENT COST OF PROJECT *(Add 78 & 79)* ---------- $ 5,299,400

* Cooperative Only

HUD—Housing Counseling

WITNESSES

BARBARA LUCAS, CHARLOTTE, N.C., NATIONAL FEDERATION OF HOUSING COUNSELORS, INC.

CHARLES STOCKER, CINCINNATI, OHIO, NATIONAL FEDERATION OF HOUSING COUNSELORS, INC.

Mr. Alexander. Our next witnesses are Mrs. Barbara Lucas, Mr. Charles Stocker and Ms. Harriet Macklin. We look forward to receiving your testimony.

Mrs. Lucas and Mr. Stocker appeared before the subcommittee last year. We welcome you back again this year. Your prepared text will appear in the record and you can summarize or make any remarks you deem appropriate.

Mr. Stocker. Thank you. We would be happy to summarize. Ms. Macklin could not be with us today because she couldn't come into town from Atlanta, Ga.

I would like to introduce a few members of the association Mrs. May Broerman from Indiana, Mr. Jim LaRue from Colorado, Mrs. Betty Lewis from New Jersey, Sister Kate McDonnell from the District of Columbia, and Donna Milone from the State of Tennessee. Mr. Finck from Texas is in town and will be with us shortly.

Mr. Alexander. We welcome each and every one of you before the subcommittee today. I am advised it is because of the testimony you presented last year that the committee recommended an additional $5 million for counseling in the 1977 bill, which finally emerged from conference with $3 million. Thank you very much for your contribution.

Mr. Stocker. We would like to thank the committee again because the results of your deliberation last year after our testimony, set a landmark in the history of housing counseling. This was a monumental breakthrough. We appreciate the interest and support of the committee. Just this morning the Committee on Government Operations held an oversight hearing on the utilization of that appropriation and in effect, HUD has been tempted to use that money for more research on housing counseling. I think that Congress and others including ourselves have finally convinced them there is no further need for research. It is a tried and proven and valuable discipline, so that there is some indication for the first time since the inception of housing counseling as a program 8 years ago, that it is really going to get some serious interest and possibly support from HUD.

Again we thank the Congress.

In our testimony we talk at the bottom of page 3 about a recommended procedure for utilizing an appropriation which we hope you can support for the coming fiscal year. I am sure the committee is aware of the problems, the growth problems of the housing counseling profession and the difficulty in standardizing the techniques and capabilities throughout the Nation for such a diverse group of organi-

zations, again in the context of a pretty complete lack of support from HUD over these 8 years.

We are suggesting in our statement that, first of all, all HUD-approved housing counseling agencies which are currently in compliance with the HUD counseling handbook should be provided with a standardized training, which has yet to be developed. Second, that after all of these agencies go through this standardization, that they be funded for operations on a second dollar matching basis to strengthen and support the agency by allowing it to increase the staff which is funded from local resources initially.

We go on to state that the many currently inactive HUD-approved counseling agencies should be given a period of 6 months to participate in the training and to reactivate their counseling program, and then to be eligible for funding. We then state that many agencies which have not bothered to apply for HUD approval as counseling agencies, should also be given the same 6-month period to comply with the HUD regulations.

Finally, we suggest that a composite system of delivery be established. Building in counseling to the housing programs of the Department of Housing and Urban Development, and utilizing trained and supported counselors as part of a total housing service system.

Again let me preamble, we do not know what the fate of the training program that we have proposed to HUD will be. This morning we heard that there is more support in HUD to develop this training program and to standardize the profession. However, there would also be a need for upgrading in later years and also for the initial training of new counseling agencies as the demand increases.

We suggest here a total figure of $10 million for the next fiscal year. Generally broken down into $1 million for the training of counselors, across the board, throughout the entire Nation, with an estimate that perhaps as many as 2,000 counselors could be trained for that sum of money. There would be a lot of cost involved here, travel, lodging and so forth. Rather than attempt to put on training in every municipality in the country, we would hold training seminars in several centralized locations.

The other $9 million would be supplementary, operative funding. As we mentioned to the subcommittee last year, we would be the last ones to suggest that Congress set up a grab bag kind of a process, which might encourage the creation of agencies and programs merely because funding exists. There are many housing counseling groups that have been in the process for as long as 8 years, and never received either funding or support from the Federal Government, and yet these agencies and counselors have been doing to work of the Federal Government in attempting to prevent defaults and foreclosures and strengthening the fabric of neighborhoods, so that the $9 million we are talking about here would be supplementary to local funding, achieved by the agencies hopefully on the basis of the credibility they can gain in the local community, whether they use community development block grant funds, United Appeal money, grants from churches, civic organizations, whatever.

I am suggesting the Federal Government would build on the reputability of the local agency as signified by its initial local funding. Mrs. Lucas has some numbers she would like to propose to you for your consideration.

Mrs. LUCAS. Mr. Chairman, I would like to point out figures of default and foreclosures from the FHA insurance fund. As of January 1977, the fund has 59,000 mortgages in default and 17,500 foreclosures. Now, at an average foreclosure cost of almost $10,000, we can quickly see that is an astronomical figure of $175 million.

Mr. ALEXANDER. How many defaults?

Mrs. LUCAS. There were 59,000.

Mr. ALEXANDER. What was the total amount?

Mrs. LUCAS. There were 17,500 foreclosures, houses that have already gone down the tubes, so to speak. To take just the foreclosure amount and multiply that by the average foreclosure cost per house, which is $10,000—or approximately $10,000—you come up with a very, very large figure. I present these to you this morning because I am convinced that the $10 million that we are requesting becomes very small when we look at the cost of these foreclosures.

If only a third of those families came into counseling, then we would benefit and more than pay for our program.

Mr. ALEXANDER. Mrs. Lucas, your point is well taken.

At this juncture I would like to request the staff to obtain supplemental information for our use. It does not need to be included in the record but we certainly need to make reference to it. I have been intending to do some work along this line. You have just saved me a lot of effort. Thank you very much.

And thank you, Mr. Stocker, for your appearance today. We appreciate it very much.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Mr. BOLAND. We have received a statement from Cushing N. Dolbeare, the Chairperson of the Ad Hoc Low-Income Housing Coalition of Washington, D.C., on the Department of Housing and Urban Development. The statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF CUSHING N. DOLBEARE, CHAIRPERSON,
AD HOC LOW INCOME HOUSING COALITION

The Ad Hoc Low Income Housing Coalition approaches HUD's budget request from the perspective of how adequately it meets the housing needs of low income people and the community development needs of the neighborhoods and communities in which they live.

Viewed from this perspective, the budget is clearly inadequate. This statement will attempt, first, to rough out some of the dimensions of the needs which HUD should be addressing and then to suggest more adequate appropriation levels for fiscal year 1978.

Housing needs and housing programs

Since 1949, the national goal of "a decent home and a suitable living environment for every American family" has been—in theory at least—the objective of housing programs. A numerical goal, the production or rehabilitation of 600,000 subsidized units annually, was added in 1968, and reaffirmed in 1974. As it has become hallowed by tradition, the simplistic basis of this goal has been forgotten: it was based on the assumption that some 6 million dilapidated units existing in 1968 were occupied primarily by low-income people, that they should be replaced over a 10-year period, and therefore some 6 million subsidized units should be provided to replace them.

Meeting our national housing goal requires far more, however, than merely replacing or rebuilding substandard structures, although that is an important component. Decent housing clearly should be soundly built, watertight and weathertight, with enough rooms to provide reasonable privacy, and with adequate plumbing facilities, heat, light and ventilation. But decent housing also should be within the means of people who must live in it and there should be an adequate supply, within every community, to provide people with choices of tenure, location, and price—without arbitrary exclusion on the basis of race, religion, nationality, income, or family composition.

Unfortunately, in estimating housing needs, the form and limitations of available data appear to have had greater influence than consideration of what decent housing really implies and the scale and form of public and private action necessary to achieve it.

The availability of additional data from the annual housing surveys, a joint product of HUD and the Bureau of the Census, has at least moved us from measuring housing quality in terms of plumbing and overcrowding alone. According to the 1974 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 older neighborhoods or involved with enforcing housing codes or comparable standards, these figures seem surprisingly low.

Another approach to estimating the need for housing repair or rehabilitation, including insulation, is the age of the housing stock. HUD has, in fact, suggested that age of housing be given the greatest weight in its proposed new community development formula. It would seem conservative, for example, to assume that two-thirds of all units built before 1939 would require some repair—beyond routine maintenance—to meet minimal housing code standards. Using this measure, some 18 million units, as of 1974, required repair; 7.3 million in central cities of metro areas; 6.4 million in nonmetro areas; and 4.5 million in metropolitan areas, but outside of central cities. This is almost one-quarter of our housing stock (75.9 million units in 1974).

If one adds the need for weatherization or retrofitting to the more traditional estimates of housing quality, the dimensions of need for repair and conservation of the existing stock of housing will be far higher. For example, 43 percent of all single-family houses lack storm windows or other protective window covering.

While there are clearly exceptions, it can be assumed that few people live in bad housing by choice. This is confirmed by 1974 annual housing survey data indicating that less than 1 percent of households with incomes above $25,000 live in housing which lacks plumbing, heat, or kitchen.

Quality is only, one dimension of low-income housing need, however. The cost of housing is equally critical. HUD reports that the 1975 annual housing survey shows that 10 million renters and another 5 million owners are paying more than 25 percent of their incomes for housing.

Just as people do not choose to live in poor housing, they also do not choose to spend high proportions of their income on housing unless they have to. In 1974, more than half the renters paying over 35 percent of their incomes for rent

had incomes below $3,000 and an additional 30 percent had incomes between $3,000 and $5,000 (0.1 percent had incomes above $15,000). Moreover, people in the lowest income bracket were forced to spend much of it for shelter: in 1974, more than three-quarters of renter households with incomes below $3,000 paid over 25 percent of their incomes for rent; two-thirds paid over 35 percent.

Few people realize the impact of housing costs in skewing income distribution patterns. Using median figures from the 1970 census, we find that the median household at the bottom of the income scale (income below $2,000) had an income of $125 per month, paid $80 for rent, and had $45 remaining for all other purposes. The median household at the opposite end of the scale (income above $25,000) had an income of approximately $2,250 per month, paid just over $200 for rent, and had $2,050 left for all other purposes. Thus, while nominally the income of the affluent household was 18 times that of the very low income household, after paying for housing there was more than 45 times as much money left for other purposes.

Although current information is not available, it seems scarcely likely that these disparities have decreased in the last 7 years.

Housing patterns have been a major factor in the increasing segregation of our society by race and income. Overt discrimination is only one method of excluding minorities and low-income people from access to decent housing where they want to live. Even more effective is exclusion through provision of housing for affluent people only. This is manifested locally by exclusionary zoning and building regulations and at the Federal level by failure to subsidize low- and moderate-income housing production. Efforts to condition Federal assistance upon the provision of subsidized housing to provide for freedom of choice will be relatively meaningless unless the amount of subsidized housing is increased to a substantial proportion of all new housing production.

To recapitulate, meeting our housing needs will require repair, rehabilitation, or replacement of some 18 million housing units; subsidies through existing section 8 or a comparable approach for a substantial proportion of the 15 million households paying more than they can afford for shelter; and, to provide genuine housing choice, subsidies for at least one-third of all new housing production.

In the context of these needs, the recommendations before this committee are woefully inadequate, be they those of the Ford administration or the Carter administration. Indeed, the differences between the proposals are negligible, except for the mix between section 8 and traditional public housing and a relatively small increase in funding for the community development block grant program.

As the table on the next page shows, housing and community development programs are larded through the Federal budget functions. They are included in Commerce, Natural Resources, Community and Regional Development, Income Security, Veterans Benefits, and National Defense. Housing and community development programs combined account for 3.6 percent of all estimated outlays during fiscal year 1978 and for 6.6 percent of new budget authority. In large part, the proportion of budget authority is accounted for by the formula for calculating budget authority for subsidized housing, which more accurately reflects the estimated long-term cost to the Government than do comparable calculations of budget authority for other programs. (For example, future interest payments on notes and bonds to finance the Federal debt are not subject to budget authority, whereas budget authority for housing assistance is calculated at the maximum exposure over the full term of the contract.)

It should be noted that tax expenditures for housing are more than double direct outlays, and more than triple the outlays for low-income housing. These expenditures remain almost wholly outside the disciplines and controls of the budget process. Yet they have a major impact on the shape of Federal housing programs. In general, because of the existence of housing-related tax expenditures, the higher one's income, the greater the Federal housing subsidy received.

MAJOR HOUSING AND RELATED PROGRAMS IN THE BUDGET FOR FISCAL 1978

[In millions of dollars]

Subfunction	Outlays			Authority, 1978
	1976	1977	1978	
Mortgage credit (Commerce):				
HUD mortgage programs	1,799	647	635	1,125
FmHA rural housing programs	7	−429	415	328
Federal Home Loan Bank Board, etc	−99	−1,447	−455	
Subtotal	1,707	−371	595	1,453
Elderly, handicapped housing (202)	−15	262	738	750
Total	1,692	−109	1,333	2,203
Sewage plant construction grants (natural resources, environment)	2,429	4,430	4,970	
Community development block grants	983	2,262	3,112	3,500
Predecessor programs	1,451	1,169	691	13
Research and planning (HUD)	148	159	123	85
HUD departmental management	159	279	218	214
Subtotal, HUD	2,741	3,869	4,142	3,812
USDA water and sewer grants	75	163	199	50
Subtotal, community development	2,816	4,032	4,341	3,862
Housing assistance (income security)	2,493	2,952	3,711	24,598
Veterans housing (veterans benefits)	−72	−271	21	
Defense housing (military)	1,192	1,442	1,518	1,329
Subtotal, housing (nondefense)	4,113	2,572	5,065	26,801
Subtotal, all housing	5,305	4,014	,583	28,130
Subtotal, community development	5,245	8,4 2	9,311	3,862
Grand total	10,550	12,476	15,894	31,992
Total budget outlays, all programs	366,466	411,243	439,967	480,440
Housing as percent of total	(1.4)	(1.0)	(1.5)	(5.8)
Community development percent	(1.4)	(2.0)	(2.1)	(.8)
Tax expenditures for housing:				
Deductibility of owners mortgage interest	4,870	5,435	6,030	
Deductibility of owners property taxes	4,030	4,500	4,995	
Deferral of capital gain on home sales	845	890	935	
Credit for purchase of new home	650	100		
Rental housing depreciation	505	505	525	
Elderly exclusion of capital gain on homes	40	40	70	
5-yr rehabilitation amortization	40	30	15	
Exclusion of interest on State/local bonds (25 percent of total tax expenditure)	1,091	1,196	1,338	
Total	12,071	12,696	13,908	

In 1975, the National Rural Housing Coalition analyzed the distribution of Federal housing subsidies, including tax expenditures, and found that:

"The top 1 percent of the income distribution—people with incomes above $50,000—gets more than 10 percent of all housing subsidies. At least 90 percent of all families and individuals with incomes at this level receive housing subsidies through the tax system.

"Only 7 percent of all housing subsidies go to the 14 percent of the population with incomes below $3,000—although they have the most desperate housing needs. Less than 1 household in 10 in this income range receives any housing subsidy, either directly or through the tax system.

"The lower half of the income distribution gets only one quarter of all housing subsidies."

Some $10 billion of the 1978 tax expenditures noted in the budget are for homeowner deduction of mortgage interest and property taxes. Many homeowners, particularly those with moderate incomes, depend on these deductions and, were they removed, some other program would have to substitute for them. Nevertheless, more than 70 percent of these homeowner deductions benefit people with adjusted gross incomes of over $20,000, and more than 40 percent go to people with incomes above $30,000. This is considerably more than the outlays for subsidized housing shown in the income security function which reflect the cost of low- and moderate-income housing programs.

The administration budget proposals call for a total of almost 600,000 subsidized units for fiscal 1978. One-third of these are existing units; two-thirds will be new construction or substantial rehabilitation. In fiscal year 1976, the last full year of the Ford administration, 618,307 subsidized units were placed under loan contract or program reservation through HUD and Farmers Home programs. Thus, the pending budget proposal, far from catching up on the backlog of subsidized housing production, falls 22,879 units short of matching the performance of the Ford administration during its last year in office.

According to the recently published ninth annual report on the National Housing Goal, some 2,295,170 subsidized units had been started, or rehabilitation begun, from 1969 through the end of the transition quarter. An additional 753,230 starts or rehabilitations are projected through 1978; presumably these units are covered by funds already appropriated. Thus, through the end of fiscal 1978, we will have started just over 3 million of the 6 million units projected in 1968 as a 10-year goal. The inadequacy of this goal has already been described, but surely the budget should provide at least for substantial progress toward meeting it.

The specifics of the administration's housing proposals for 1978 are as follows:

Subsidized housing proposed for fiscal 1978

	Units
New construction:	
HUD public housing/section 8	205,000
HUD 235 sales housing	100,000
FmHA 502 sales housing	33,266
FmHA rental housing (515 and farm labor)	29,194
Subtotal	367,460
Rehabilitation:	
HUD public housing/section 8	23,000
FmHA 502 sales housing	4,000
FmHA 504 home repair loans	5,068
Subtotal	32,068
Existing housing:	
HUD public housing/section 8	172,000
FmHA 502 sales housing	23,900
Subtotal	195,900
Total	595,428

Specific recommendations

The Ad Hoc Low Income Housing Coalition recognizes that appropriations can only fund what the authorizing legislation provides. For this reason, our recommendations on HUD's budget for 1978 are far more modest than anything in our analysis of low-income housing needs can justify.

Specifically, we recommend: (1) full funding of whatever amounts are authorized for subsidized housing programs; (2) an expanded counseling program; (3) additional operating subsidies for public housing.

Full funding of authorized programs.—In acting on legislation for the current fiscal year, Congress authorized the $850 million for new contract authority for subsidized housing that was requested by HUD, but appropriated only $675 million. Taken together with the set-aside requirements to provide for public housing and for new construction under section 8, the effect of this cut, and a concurrent cut in budget authority, was to reduce the number of units that could be put into the pipeline by more than 50 percent from the 400,000 in HUD's initial request. Congress is now in the process of restoring most—but not all—of this cut in a supplemental Appropriation Act.

Because of the nature of housing programs, which require long lead times, and the complexity of the allocation process mandated under a variety of interacting laws, it takes months from the approval of an appropriation until the funds are under reservation or contract. The impact of appropriations cuts therefore cannot really be undone: time is wasted and badly needed units are permanently lost. The 1977 loss is at least 30,000 units—the amount cut from the supplemental budget request; it may well be more.

The Ad Hoc Low Income Housing Coalition advocates a major increase in HUD's subsidized housing programs. At minimum, an additional 200,000 new or substantially rehabilitated units of low rent public housing and an additional 200,000 units of existing housing under the U.S. Housing Act of 1937 (either public housing or section 8) should be provided. Funding these additional units would require an additional $700 million in contract authority and $28 billion in budget authority for the new or rehabilitated public housing, assuming an annual per unit cost of $3,500; it would require an additional $400 million in contract authority and $6 billion in budget authority for the existing units, assuming an annual per unit cost of $2,000.

We urge most strongly that Congress authorize and appropriate these amounts.

We urge equally strongly that this committee adopt a policy, with respect to subsidized housing, of appropriating whatever amounts are authorized for contract authority, together with sufficient budget authority to avoid artificial constraints on HUD's use of it. If Congress is not ready to make these appropriations, then it should limit the authorizations.

Expanded counseling.—We find HUD's request for $5 million is inadequate. The amount was calculated only to meet a part of the need for default counseling. As of January, with 43,000 home owners in default, the $5 million would provide $116 per case—hardly adequate, in our view, for the kind of assistance home owners with critical financial problems need. Additional funds should be provided for an adequate default counseling program.

Beyond this, funds are needed for counseling at the time of home purchase, to avoid default. HUD is anticipating that FHA will insure more than 500,000 homes in 1978. Yet, HUD still has no funded counseling program to provide assistance to their purchasers. To meet this need, we propose an additional $10 million.

Additional public housing operating subsidies.—Operating subsidies in public housing are needed to pay the difference between the rents charged to tenants (not more than 25 percent of adjusted income) and the cost of operating projects. Since adoption of the Brooke amendment which instituted this approach, HUD policy has been to encourage housing authorities to reduce the need for operating subsidies by limiting the number of very low income tenants they admit. In 1974, an income mix requirement—that projects "include families with a broad range of incomes"—was added to the law.

HUD's new regulations for public housing development assume that tenants should be admitted according to their percentage distribution within the eligible income range. In our view, this should be modified to take into account the availability of decent housing which families at each income level can afford, which would tend to give higher priority to very low income familes. Even without this modification, 40 percent of all families with incomes below the median in 1975 were "very low income" as defined by the 1974 act (incomes below 50 percent of median), 54 percent of all families with incomes below 80 percent of median (the section 8 income ceiling; public housing is higher) were very low income families.

HUD's policy of basing the income mix in public housing on the relative need of each income group for housing assistance is a sound one, and also one that can be expected to lead to increased need for operating subsidies. We urge that HUD be asked to submit a revised budget for 1978 based on such calculations.

Finally, although our testimony today has been silent on the need for additional community development funding, we have urged that the authorization be substantially increased. Our comments on the need for full funding of whatever is authorized apply with equal force to the community development program, particularly as the program becomes more focused on meeting the needs of low and moderate income people and improving the neighborhoods where they reside.

National Institute of Building Sciences

Statement of Ralph B. Martin, President, Martin & Nettrour Contracting Company of Pittsburgh, Pa.

Mr. Boland. We have received a letter from Mr. Ralph B. Martin, the president of Martin & Nettrour Contracting Co. of Pittsburgh,

Pa. on the National Institute of Building Sciences. We will place the letter in the record at this point.

[The letter follows:]

MARTIN & NETTROUR CONTRACTING CO.,
Pittsburgh, Pa., April 5, 1977.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD, Independent Agencies, Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR MR. BOLAND: We in the building construction industry are pleased that Congress has seen fit to establish the National Institute of Building Sciences. However, it is essential that this body become operative and I am therefore requesting your consideration of the following:

1. I urge Congress to pass appropriations to provide full funding as authorized by section 809 of Public Law 93-383.

2. Further I urge that the appropriations language be so written that any pass through Federal agency will not block or impede movement of said funds to NIBS.

3. Finally I am requesting that this communication be made a part of any hearings records on the matter.

Thank you for your consideration and attention to these requests.

Yours very truly,

RALPH B. MARTIN,
President.

NATIONAL INSTITUTE OF BUILDING SCIENCES

STATEMENT OF DONALD L. DAVENPORT OF MIDDLETON, WIS.

Mr. BOLAND. We have received a letter from Mr. Donald L. Davenport of Building Systems, Inc. of Middleton, Wis. on the National Institute of Building Sciences. His letter will be placed in the record at this point.

[The letter follows:]

BUILDING SYSTEMS, INC.,
Middleton, Wis., April 5, 1977.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD, Independent Agencies, Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR MR. BOLAND: We urge appropriations to provide full funding for the National Institute of Building Sciences as authorized by section 809 of Public Law 93-383.

We urge that appropriations language be so written that the pass-through Federal agency would not block or impede movement of funds to NIBS.

We request that this communication be made part of the hearings record.

Cordially,

BUILDING SYSTEMS, INC.,
Donald L. Davenport, P.E.

NATIONAL INSTITUTE OF BUILDING SCIENCES

STATEMENT OF JOSEPH NEUSSENDORFER OF PONTIAC, MICH.

Mr. BOLAND. We have received a letter from Mr. Joseph Neussendorfer of Pontiac, Mich., a member of the engineering society of Detroit, on the National Institute of Building Sciences. The latter will be placed in the record at this point.

[The letter follows:]

PONTIAC, MICH., *April 6, 1977.*

HON. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD, Independent Agencies Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BOLAND: Appropriations to provide full funding for the National Institute of Building Sciences (NIBS) should be approved as authorized by section 809 of Public Law 93-383.

I urge your committee to approve appropriations language so written that the pass-through Federal agency would not block or impede movement of funds to NIBS.

NIBS is a worthwhile and important undertaking and will greatly benefit the American public.

I request that this letter be made part of the hearings record.

Respectfully yours,

JOSEPH NEUSSENDORFER,
Member, Engineering Society of Detroit.

NATIONAL INSTITUTE OF BUILDING SCIENCES

STATEMENT OF ROBERT L. SILVERMAN, PRESIDENT, SWEET ASSOCIATES, INC., OF SCHENECTADY, N.Y.

Mr. BOLAND. The committee has received a letter from Mr. Robert L. Silverman, president of Sweet Associates, Inc., of Schenectady, N.Y. on the National Institute of Building Sciences. The letter will be placed in the record at this point.

[The letter follows:]

SWEET ASSOCIATES, INC.,
Schenectady, N.Y., April 5, 1977.

HON. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD, Independent Agencies Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR SIR: I am writing to urge appropriations to provide full-funding for the National Institute of Building Sciences as authorized by section 809 of Public Law 93-383. In addition, I recommend that appropriations language be so written that the pass-through Federal agency would not block or impede movement of funds to NIBS.

I respectfully request that this communication be made part of the hearings record.

Very truly yours,

SWEET ASSOCIATES, INC.,
ROBERT L. SILVERMAN, *President.*

NATIONAL INSTITUTE OF BUILDING SCIENCES

STATEMENT OF J. P. CECIL OF SPARTANBURG, SOUTH CAROLINA

Mr. BOLAND. We have received a letter from Mr. J. P. Cecil, of Cecil's Inc. of Spartanburg, S.C. on the National Institute of Building Sciences. His letter will be placed in the record at this point.

[The letter follows:]

CECIL'S, INCORPORATED,
Spartanburg, S.C., April 6, 1977.

HON. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD, Independent Agencies Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BOLAND: In the interest of ridding the Nation of a host of problems that have been plaguing the codes and standards for the building industry, ask your assistance in obtaining full funding for the National Institute of Building Sciences, (NIBS) as authorized by section 809 of Public Law 93-383.

The funding of this program is quite small and only a single item in a multi-billion dollar budget, but it will mean a great deal to the construction industry by enabling us to solve some problems of standardization of codes and methodology which will benefit the Nation in the areas of reducing the spiraling cost of construction, energy conservation, and environmental areas.

I request that the appropriations language be worded to facilitate the funding method so that the flow-through agency would not block or impede movement of funding to NIBS. I further request that this communication be made part of the record of the hearing.

Your efforts on our behalf will resolve long-standing standardization and building code problems by enabling the National Institute of Building Sciences to develop methods and procedures which could be adopted throughout the United States.

Thanking you in advance for your assistance, I am,

Sincerely,

CECIL'S, INCORPORATED.
J. P. CECIL

NATIONAL INSTITUTE OF BUILDING SCIENCES

STATEMENT OF G. R. MUNGER, PRESIDENT OF THE AIR-CONDITIONING AND REFRIGERATION INSTITUTE

Mr. BOLAND. The committee has received a letter from Mr. G. R. Munger, the president of the Air-Conditioning and Refrigeration Institute in Arlington, Va. on the National Institute of Building Sciences. The letter will be placed in the record at this point.

[The letter follows:]

AIR-CONDITIONING AND REFRIGERATION INSTITUTE,
Arlington, Va., April 13, 1977.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD, Independent Agencies, Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BOLAND: As part of the building and construction industry, the Air-Conditioning and Refrigeration Institute strongly supported Public Law 93-383, section 809. We thought of this as the alternative to total Federal takeover of an admittedly rather garbled building code situation throughout the country.

We worked hard on the development of the bill and for its passage, as well as providing names for members of its board. This will certainly have been for naught if the authorized funds are not appropriated.

We urge that appropriations be made to fully fund the National Institute of Building Sciences and that the appropriations language prohibit the impediment of movement of these funds to NIBS.

We believe that NIBS should be operated from private funds and fully expect that to be the case once it gets underway. We will make every effort to see that our industry supports NIBS, but do believe that this cannot be realistically expected for the next few years.

We appreciate your consideration of this matter and request that this letter be made a part of the hearings record.

Sincerely yours,

G. R. MUNGER,
President.

NATIONAL INSTITUTE OF BUILDING SCIENCES

STATEMENT OF B. W. SHEPPARD OF OGDEN, UTAH

Mr. BOLAND. We have received a letter from Mr. B. W. Sheppard, district manager for Mountain Bell Telephone and Telegraph Co. in

Ogden, Utah about the National Institute of Building Sciences. We will place the letter in the record at this point.

[The letter follows:]

OGDEN, UTAH, *April 8, 1977.*

Hon. EDWARD P. BOLAND,
*Chairman, Subcommittee on HUD, Independent Agencies, Committee on Appropriations, U.S. House of Representatives, Washington, D.C.*s

I am writing to enlist your support for the establishment of the nongovernmental National Institute of Building Sciences. I believe there is an urgent need to standardize and resolve many of our building code problems.

I urge that full funding be provided for the National Institute of Building Sciences as authorized by section 809 of Public Law 93-383.

Please make this request part of the record when hearings are held on this subject.

Sincerely,

B. W. SHEPPARD,
District Manager, Mountain Bell.

NATIONAL INSTITUTE OF BUILDING SCIENCES

STATEMENT OF PETER J. ELLIS, OF HYATTSVILLE, MD.

Mr. BOLAND. The committee has received a letter from Mr Peter J. Ellis, labor management office with the Intercounty Construction Corp., of Hyattsville, Md., on the National Institute of Building Sciences. The letter will be placed in the record at this point.

[The letter follows:]

INTERCOUNTY CONSTRUCTION CORP.,
Hyattsville, Md., April 5, 1977.

Hon. EDWARD P. BOLAND,
Chairman, Subcommittee on HUD, Independent Agencies, Committee on Appropriations, U.S. House of Representatives, Washington, D.C.

DEAR CONGRESSMAN BOLAND: I respectfully request your support for appropriations and full funding of National Institute of Building Sciences as authorized by section 809 of Public Law 93-383.

Please write the appropriation's language so that the pass-through Federal agency cannot block or impede the movement of funds to the National Institute of Building Sciences.

Further, I request that this letter be made part of the hearings record.

Respectfully yours,

INTERCOUNTY CONSTRUCTION CORP.,
PETER J. ELLIS,
Labor Management Officer.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATEMENT OF RICHARD C. SIMONSON, OF WASHINGTON, D.C.

Mr. BOLAND. The committee has received a statement from Mr. Richard C. Simonson, of Washington, D.C., on the Department of Housing and Urban Development. His statement will be placed in the record at this point.

[The statement follows:]

Your hearings of March 22 and 23 was one of the most meaningful I have seen in the third of a century I have attended hearings, as a civil servant and now as a private citizen and taxpayer. Secretary Harris stated the major challenges

at the outset and the members addressed themselves to major problems and opportunities throughout. Therefore, the hearings became a most useful dialog. Another refreshing characteristic of your hearings was that both the congressional and the executive sides of the table were willing to confront deeply rooted problems and to consider both the modernization of familiar answers and the introduction of new solutions.

Even more emphasis should be given to certain elements of community development and housing, however, than was done during your hearings. Perhaps they are implicit in the "Three Priorities" of Secretary Harris statement (p. 3), that is:

First, concentration on areas of greatest need;

Second, comprehensive and coordinated commercial, industrial, and neighborhood development and revitalization; and

Third, achievement of statutory objectives, with special reference to low- and moderate-income citizens.

Urban Americans—particularly of low and moderate income—the handicapped and senior citizens should now be provided with an equivalent of the services which have enabled farmowners like myself to be successful. Before World War II, I worked for the Federal Public Housing Authority—at its very beginning. During my service with HEW, 1948–76, my assignments included coordination with housing and development agencies. There is a painful contrast between the services to farmowners and to disadvantaged urban dwellers.

With reference to Secretary Harris' first priority—concentration on areas of greatest need

The problems of cities, farms, and rural nonfarm areas are interwoven, of course. Millions of people still move among these areas, even though the net migration from farm into city has flattened out and the net flow of nonfarm families is from cities to nonmetropolitan areas. The counseling services which you, Mr. Chairman, and several members of your committee endorsed, as Secretary Harris mentioned them, should include adjustments of rural families to urban living and vice versa. I respectfully suggest that your committee and the Committee on Appropriations for Agriculture and Related Agencies should consider jointly whether the Agricultural Extension Service is adequately advising those who decide to leave rural areas on adjustments to city life.

I am sending a copy of this statement to our mutual friend, Congressman George Shipley, who has served on both those committees, and who now chairs the Legislative Subcommittee.

Congressman Alexander's concern for nonmetropolitan areas is familiar to me because my family farmed in his district as well as Illinois. I also share Congressmen Coughlin's and McDade's concern for the nonmetropolitan areas of Pennsylvania because of my Pennsylvania farm. Nevertheless, the discussions between them and Secretary Harris highlighted the differences between "metropolitan and nonmetropolitan areas." Such differences should be subordinated to the interdependence of those areas in order to establish a broad base for both urban and rural development. Therefore, I also support the strengthening of HUD's support of areawide planning and collaboration with the Economic Development Administration, and the USDA—particularly Farmers Home Administration. Such collaboration, however, should give more emphasis to the measurement of needs of the uprooted.

With reference to Secretary Harris' second priority—comprehensive development and revitalization, including neighborhood

Secretary Harris pointed out repeatedly the necessity for increasing job opportunities and for an economic infrastructure for community services and facilities. The very title of the Department recognizes that housing cannot stand alone.

Congresswoman Boggs also noted the need for balanced development. Of course those interrelationships have been the object of a wide range of economic and community development programs. However, the support which HUD, Economic Development Administration, and other Federal agencies have given to State and community agencies still does not appear to adequately reach enough neighborhoods and individuals. You, Mr. Chairman, Congressman Traxler, and Secretary Harris all expressed the need for both community agencies and individuals to be counseled on problems of financial management. Agricultural Extension and Farmers Home Administration interweave "a way-of-living" and "a way-of-making-a-living," including housing and home management, through a network of

life-long counseling, technical assistance, and education for which there is still no urban equivalent. I do not wish to idealize that Service because I know that it has been much more useful to middle-class farmowners than to marginal farmers and the rural poor. Its basic concepts, however, are sounder foundations on which to build comprehensive, coordinated neighborhood services than are the specialized approaches to family and housing problems now supported through the categorical programs aided by HUD and HEW. Under Secretary Janis correctly reminded the committee that there is a need for some categorical programs to serve specific needs, such as the disadvantaged groups mentioned by you and by Congresswoman Boggs.

With reference to Secretary Harris' third priority—objectives speaking to concerns of low- and moderate-income citizens

Self-help and mutual aid should be even more strongly emphasized in the expansion of counseling services than previously. Again there is a painful contrast between the results which have been obtained through Agricultural Extension (and Farmers Home Administration technical assistance) and urban housing projects. It is an unfair contrast because all the urban antipoverty, urban homesteading, rehabilitation, and similar experiments added together would not come near the support which have been provided farmowners over the years. The time is past for "pilot" and "demonstration" projects. The Federal Government should now be firmly committed to the Federal-State-community-individual partnership which was implied by Secretary Harris. That partnership should enlist the vigor of senior citizens which is now being wasted and the abilities of the handicapped which are so often discounted as well as the idle time of the unemployed and underemployed. I am aware that further investments in self-help and mutual aid projects may appear to continue to yield rather low ratios of benefits to costs. However, this may be due in part to inadequate measurement of the improvements in health, productivity, self-care, and related benefits to senior citizens and handicapped which are associated with increased activity and morale. The maintenance, repair, and minor rehabilitation of housing and supporting community facilities is well within the capabilities of most older persons, handicapped, and low-income families (and households) if given relevant and continuing counseling, training, technical assistance, and essential financial assistance.

In conclusion

I recommend that your committee fully support Secretary Harris' requests for both program funds and salaries and expenses for all those activities which will strengthen counseling, technical assistance, coordination, self-help, mutual aid, and community development and housing "By and of the people" as well as "For the people." Furthermore, I recommend that your committee encourage HUD to plan for the establishment of a true urban extension service, in consultation with USDA and DHEW.

Thank you.

EPA—Section 206(B)

WITNESSES

GEORGE E. WILLIAMSON, MANAGER, CLEARFIELD MUNICIPAL AUTHORITY, CLEARFIELD, PA.

JOHN K. HALLENBURG, HILL AND HILL ENGINEERS, NORTHEAST, PA.

Mr. Baucus. The next witnesses will be Mr. George Williamson and John Hallenburg. You may proceed.

Mr. Williamson. Mr. Hallenburg is from Holdale Engineers and he is here to answer any questions the committee might have.

The purpose of our appearing before this committee is to request that section 206(b) of the Federal Water Pollution Control Act Amendments of 1972 be funded. In our contracts with both Federal and State agencies we have been informed that no money has been appropriated for this section of the act. The question the municipal authority is asking is: Will it be funded?

Section 206(b) of the act states:

Any publicly owned treatment works constructed with or eligible for Federal financial assistance under this act in a State between June 30, 1956, and June 30, 1966, which was approved by the State water pollution control agency and which the Administrator finds meets the requirements of section 8 of this act prior to the date of enactment of the Federal Water Pollution Control Act Amendments of 1972 but which was constructed without assistance under such section 8 or which received such assistance in an amount less than 30 per centum of the cost of such project shall qualify for payments and reimbursement of State or local funds used for such project from sums allocated to such State under this section in an amount which shall not exceed the difference between the amount of such assistance, if any, received for such project and 30 per centum of the cost of such project.

Clearfield is a community that falls into that category. In 1954, the borough of Clearfield received orders to construct the sewerage treatment plant and intercepting sewers. In 1956, the borough of Clearfield instructed the Clearfield Municipal Authority—since it was already an operating authority—to construct and operate a sewerage treatment plant and intercepting sewers to encompass an areawide development, in compliance with these orders. This areawide development would take in all areas of the borough and the surrounding development areas of Lawrence Township. This is our present-day concept of regionalization.

In 1958, the Clearfield Municipal Authority submitted an application along with plans and documentations as required under Public Law 660 for a 30-percent grant. They were informed in 1958 and again in 1959 that it was determined that since the plant discharge was into an acid stream which is the west branch of the Susquehanna River, they were given no priority rating and were not eligible for funding.

However, realizing the benefits to their community and to the environment the Clearfield Municipal Authority took bids on October 30, 1958, for construction of a sewerage treatment plant and necessary intercepting sewers. On December 2, 1960, the plant was in full operation and the construction was accepted by the authority. Total project costs amounted to $1,875,000. Of this amount costs eligible for a 30-percent grant amounted to $1,509,221. Therefore, Clearfield was not the recipient of a Public Law 660 grant in the amount of $452,000.

Again I would like to point out that the people of the Clearfield Municipal Authority were progressive and realized their responsibility to the community and benefits that would occur to the environment. If the authority would have delayed their project for 5 to 10 years—as many communities did—their receiving stream would have been reclassified as a nonacid stream and they would have undoubtedly received a grant.

However, because of their desire to comply with the construction order, and their desire to improve Clearfield and the surrounding area, they took decisive action in 1958 and 1959 which most communities were not taking. Since the amendments to the act were passed in 1972, the authority feels their initiative should be rewarded.

It is the opinion of the Clearfield Municipal Authority that: (1) to the best of our knowledge all communities in Pennsylvania building sewerage treatment facilities and coming under section 206(a) of the act have received reimbursements.

Why only section 206(a) and not section 206(b)? (2) to the best of our knowledge there are very few communities and municipalities

that fall under section 206(b). The Clearfield Municipal Authority is one and the Ridgway Municipal Authority is another in Pennsylvania—therefore, the Clearfield Municipal Authority feels that they are being penalized and discriminated against because they proceeded on their own initiative and recognizance to construct their own sewerage treatment facilities without funding; especially, since the 1972 amendments to the Federal Water Pollution Control Act established their eligibility for reimbursement.

Communities such as Clearfield which receives no Federal assistance in sewerage treatment plant construction could benefit immeasurably if this portion of the act were funded. The impact would be felt immediately in the Clearfield area, because construction of a secondary plant is now underway.

The cost of the project is $2.3 million. Communities like Clearfield with funds made available under section 206(b) of the act would benefit economically as well as meeting the criteria established under the law for plant construction. Economic benefit to our community would be felt immediately by keeping sewer rates in a proper perspective as the authority would be able to offset construction costs by application of funds made available by section 206(b).

Therefore, the Clearfield Municipal Authority urges that this subcommittee recommend that funds be made available under section 206(b) of the act.

I would like to add, sir, we did add a sheet. It gives a bit of background. There were 202 applicants. Information was given to us by Pennsylvania Department of Environmental Resources and there were 202 applicants for funding between 1957 and 1966. About 57 of these did not receive the 30 percent which they were eligible for under the funding program.

Mr. BAUCUS. Thank you very much, Mr. Williamson.

It's my understanding you brought your request before this committee last year as well.

Mr. WILLIAMSON. Yes, sir. I am very familiar, sir, with what you are going to ask me. I'm sure it's the same thing you asked this gentleman sitting back here about the moneys and where they are to come from, and whether we have any suggestions of where the budget can be manipulated.

Mr. BAUCUS. Where are you suggesting?

Mr. WILLIAMSON. The only thing I would point out is, under the act there was to have been $750 million set up under section (e) to be utilized by communities such as Clearfield, Pa., and I realize the problems which you are facing in trying to get the money to where it belongs. I would imagine there is probably in the State of Pennsylvania alone somewhere in the neighborhood of $400 million which could be awarded through grants.

Mr. HALLENBURG. Actually under one section 206, there's another million dollars where communities like Clearfield receive nothing at all. We are talking about $8 million.

Mr. BAUCUS. I don't quite understand. Where would you cut?

Mr. WILLIAMSON. Certainly not in the educational program as outlined by the gentleman who testified before me.

Mr. BAUCUS. Do you have a rough idea, where you would cut?

Mr. WILLIAMSON. New construction, I think, is something that we discussed earlier. New construction of course is one of the areas that is being stressed today, to stimulate the economy, but I question whether or not all of the new plant construction is necessary, and perhaps that could be an area that could be cut.

Mr. HALLENBURG. Also, I think the justification of funding under that section would be the same under section 206(a), whatever the justification for that funding. The funding under section 206(b) would be the same justification as the funding under section 206(a). We can't understand why it was funded under 205 instead of 206(b).

Mr. BAUCUS. It's my understanding, too, that 206(b) money is for payments to communities that started their plants between June of 1956 and June of 1966. Is that correct?

Mr. WILLIAMSON. Correct.

Mr. BAUCUS. It's also my understanding that the local communities that undertook those projects really had thought of Federal funds at that time.

Mr. HALLENBURG. No. In Pennsylvania there were 202 communities that received funds. Of those 202 communities 57 of them did not receive the full——

Mr. BAUCUS. Under what programs?

Mr. HALLENBURG. Under the Public Law 660 program, instead of 30 percent of the construction cost.

Mr. BAUCUS. There was no thought of Federal reimbursement, though, was there?

Mr. HALLENBURG. No.

Mr. BAUCUS. Isn't that what 206(b) is?

Mr. HALLENBURG. So is 206(a).

Mr. WILLIAMSON. And 206(a) was funded.

Mr. HALLENBURG. It was between 1956 and 1972, for communities that constructed plants during those periods.

Mr. BAUCUS. 206(a) is for programs that began since 1966. Isn't that correct?

Mr. WILLIAMSON. Yes. I can't see whatever difference that makes when we talk about the dollars——

Mr. BAUCUS. If we went back, if one began about 30, 40 years ago, too, you could.

Mr. WILLIAMSON. I agree.

Mr. BAUCUS. Are there any questions Mrs. Boggs.

Mrs. BOGGS. No, thank you.

Mr. BAUCUS. Thank you for your testimony. We will consider it very seriously.

EPA-PESTICIDE REGISTRATION PROGRAM

WITNESSES

PROF. SCOTT C. WHITNEY, INTERNATIONAL SANITARY SUPPLY ASSOCIATION

JOSEPH J. LYMAN, INTERNATIONAL SANITARY SUPPLY ASSOCIATION

Mr BAUCUS. Next we will hear from Mr. Scott C. Whitney and Mr. Joseph Lyman.

Professor WHITNEY. We appreciate the opportunity to be here. Unlike the two preceding witnesses we do not have a request for additional programs, but rather have suggestions on how to make EPA more cost effective and also to address a program that is in very serious trouble.

I am Scott Whitney, professor of law at the College of William and Mary and counsel to the law firm of Bechhoefr, Sharlitt & Lyman. Joseph Lyman, who is with me, is a partner in that law firm.

We repersent the group called the International Sanitary Supply Association, that is composed of over 2,000 companies. It's been in existence for about 54 years and it concerns itself with producing and selling cleaning and maintenance products, supplies used in hospitals, schools, food establishments, commercial business, and then used by the the housewife.

So our interest is in the role that sanitary maintenance plays in public health. At the outset, there are two things we would stress. The first is, we are not asking for moneys to be funded or reallocated or added, but rather to explain to you a problem that has to do with the EPA's pesticide registration program.

Right before the committee met, I had an opportunity to read for the first time the testimony of March 1, submitted by Mr. Quarles and others—Dr. Briedenbach and so forth, and while the numbers differ a little bit in terms of workload backlog, from the numbers we give, they are essentially the same and show that the Agency is in deep trouble, so far as the execution of this important regulatory program goes.

We, just for clarification, talk about a workload that is about 50,000 registrations and reregistrations that are pending at this time.

The March 1 testimony talks about 30,000. The difference is, the 30,000, the group we mention here constitutes the registration of earlier Federal registered commodities, but here there is this additional workload of 17,000 interstate pesticides that must be federally registered. Our estimates derive from the Comptroller General's report which issued in September 1975, which, with the new ensuing applications probably, it is somewhat over 50,000. I noted that in the March 1 testimony, Mr. Quarles indicated that they had set up a figure of 10,000 as the quota to shoot for in 1977, but they had not as of that date accomplished any of that.

In another statement to Chairman Foley of the House Agriculture Committee he indicated that the workload as it existed in about March would take between 10 and 15 years to process, with existing Agency staff.

Now, the gravity of this, I think, is evident from the fact that you have, and again, this was acknowledged in the March 1 testimony, you have thousands of chemicals being marketed now that were earlier registered but which have not been reassessed, and in such studies as the Kennedy committee analysis and the Comptroller General's analysis, there really isn't shown any reliable scientific data concerning such important things as whether they are cancer causing, whether they create birth defects, mutagenic defects, and so forth.

This whole workload problem is significantly aggravated by the additional responsibilities that have been given to EPA under the

Toxic Substances Control Act which was enacted in October 1976, which carves out an immense additional workload that may be on the same order of magnitude as the backload that EPA presently finds itself mired in.

What we are here today for, to direct this subcommittee's attention to, is that a great part of the existing pesticide workload consists of unnecessary regulation, regulation of commodities which are based on long-term empirical experience, commodities generally regarded as safe and for which the only two regulatory concerns would be, first of all, whether the labeling is adequate, so that it can be safely used, based on the information contained on the label, and, second, whether the product is efficacious, it does what it says it is going to do.

To give you an idea of what is involved, we are talking about 7,800 registrations, basic registrations, and we are talking about approximately 300,000 additional so-called supplemental registrations, so that this quota of 10,000 which the Administrator spoke of as their goal, but their apparently unobtainable goal for 1977, these 7,800 would almost approximate that goal.

Now, the way this comes about is explained in our prepared testimony. I won't go into all the detail that is set forth. It arises principally from the fact that there are three basic chemical compounds or categories of compounds, these are halogens, phenolics, the quaternary ammonia compounds, and pine oils; they are basic substances that are marketed to consumers in hundreds of diluted forms, and these forms are frequently no more substantive than to get some kind of a marketing gimmick, something that smells nice and has an appealing color, and these qualities are obtained through the use of inert substances that do not bear in any fashion on toxicity or possess other adverse effects on the chemicals they are composed of.

At the present time, EPA maintains a list of these chemicals. If they are present in a commodity above a certain strength, then they are subject to labeling requirements.

We have no objection whatever to this kind of regulation.

We have no objection to the present treatment of it, as far as it goes, that is, to have full disclosure on the labeling, giving the information for safe use and for established efficacy; but what happens is that if a manufacturer takes a formulation composed of 3 percent Quat. and one of 5 percent, that requires two different registrations now.

Then, as is the practice, the basic substances are sent to distributors, each time the distributor formulates it in a different form, this necessitates a subsequent registration for each product.

For example, one manufacturer with 300 distributors, which is modest in the trade, if he supplies only 10 different products, you are talking about 3,000 regulatory actions by the Agency, and as a result, what has happened is, there has accumulated over 3,000 in suplemental registrations from the basic registrations we feel are necessary.

This gets worse. If they want to, with each of these, done in three colors, pink, green, and yellow or with three scents, wintergreen, and so on, again a separate registration is required for each one.

You can see the expediential effect of this on the workload.

Moreover, what has happened, because of these impacts, there is no registration now going forward and, of course, no supplemental registration.

That has had the effect of increasing the cost of the commodities to consumers, it has had the effect of preventing innovation or, from a trade point of view, allowing new entrants into the field.

It's simply made it a closed industry, so from this, we will come to several propositions. The first is, the EPA is engaged in a demonstrably unnecessary regulatory activity that is very major. The proposal we have, if adopted, and I stress, requires no additional money.

In fact, it would free up significant agency personnel and resources to do the admittedly essential job that is not presently and is concededly not presently being done.

It would also save the consumer and the Government—it could well save the Government money, as well as save the consumer money and contribute to dampening noticeable inflationary impacts.

Essentially, our proposal is this. We don't believe there needs to be additional laws enacted. We testified before the Senate—both the Senate and the House Agriculture Committees, which bodies are considering new legislation to address this problem that has been recognized to be a critical problem, of critical proportions.

We have stressed all along that section 25(b) of the act, the exemption of pesticides, provides that a fully adequate statutory basis which the Administrator has already articulated into regulations; namely, the regulations we cite here, section 162.8(a)3, providing for waiver procedures which are broad enough to encompass the proposal, which we suggest.

Briefly, our proposal is this, that EPA establish a list similar to the "Generally Regarded as Safe" list, which has long been used by the Food and Drug Administration with respect to chemicals in substances that are ingested by humans, not used for sanitary purposes in lavatories and things like that, but for commodities actually ingested, they use this list.

Under a similar system here, the EPA could clean up 7,800 cases in a very brief period simply during a reevaluation of those along the lines that they have in the past done, the so-called 2–C process, and could free themselves of all the agency resources that would be tied up on the 7,800 cases, plus this immense body of supplemental regulation, the 300,000.

The 2–C process was dropped by EPA purportedly because of judicial determination. I have read this litigation and do not believe any court has directed EPA to drop the 2–C approach.

I think it is an overly conservative interpretation of decisions by EPA's legal advisers, but regardless of that, a similar device does exist and is used in an even more sensitive area, the Food and Drug Administration, and we believe it is a proper administrative device under the law.

What would happen is, whenever a compound is identified as a commonly accepted product, its toxicity is established and it is disclosed on the label and it is determined then to be acceptable for the proposed use, then it must always be efficacious for the proposed use. Once that showing is made and can be shown on existing documentation without any additional expense, then one should stop this re-

peated and complex testing which creates the tremendous commitment of agency time, which also imposes on these small companies an additional amount of unnecessary expense; moreover it frees up agency personnel to be reallocated to a regulatory mission that is critical to the public health and environment.

One final thought, this proposal, the use of a kind of approved list, has other precedents besides and the need for labeling is well established.

The Consumer Product Safety Commission uses it. Moreover, the 2–C type process is precisely the process which EPA has announced it will use when it undertakes the implementation of the Toxic Substances Control Act, which it is presently grappling with, in forming preliminary regulations.

We are asking the committee to consider this and to direct or take whatever steps, in your discretion, to direct EPA to simplify this approach and as a result, render the Agency considerably more cost effective and make a major contribution to achieving a mission, which Congress has repeatedly stressed as being essential and which everybody now concedes isn't being done. That is it.

Thank you.

Mr. BAUCUS. Thank you very much, Mr. Whitney. We will place your complete statement in the record at this point.

[The complete statement follows:]

STATEMENT OF SCOTT C. WHITNEY

Mr. Chairman and members of the committee, my name is Scott C. Whitney. I am professor of law at the College of William and Mary and also of counsel to the Washington law firm Bechhoefer, Sharlitt & Lyman. I am accompanied by Mr. Joseph J. Lyman, a partner of the aforementioned firm. We represent the International Sanitary Supply Association (ISSA), whose address is 5330 North Elston Avenue, Chicago, Ill. 60630. ISSA has been in existence for some 54 years and is composed of over 2,000 manufacturing and distributing firms engaged in producing and selling cleaning and maintenance products and supplies used in hospitals, schools, food establishments, commercial businesses, and institutions. ISSA is thus concerned with the vital role which sanitary maintenance plays in providing better public health for our Nation.

At the outset I want to emphasize that ISSA shares the concern of Congress reflected in the existing pesticide legislation[1] that such substances be safe and effective for their intended uses and that the manufacture and use of such substances not result in adverse effects on the public health or the environment. It is in this spirit that we appear before you today to discuss the present crisis concerning the Environmental Protection Agency's (EPA's) regulation of pesticides. I am sure this committee is aware that EPA's pesticide program is in deep trouble. On December 4, 1975, the Comptroller General of the United States issued its third report "to alert the Congress to the shortcomings in the Environmental Protection Agency's efforts to protect man and the environment from the effects of harmful pesticides."[2] Subsequently, the Senate Subcommittee on Administrative Procedures and Practices of the Judiciary Committee issued an even more devastating report on EPA's pesticide regulation,[3] and both Senate and House Agriculture Committees are actively considering possible remedies to correct the situation.

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[1] The Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) as amended by the 1972 Federal Environmental Pesticide Control Act (FEPCA), 7 U.S.C. Sections 135 et seq. (1970), as amended, 7 U.S.C. Sections 136–137Y et seq. (Supp. V 1975).

[2] Report to the Congress by the Comptroller General, Federal Pesticide Registration Program: Is It Protecting the Public and the Environment from Pesticide Hazards–excerpts from covering letter of Comptroller General, p. 1. (Hereafter cited as "Comptroller's Report.")

[3] Staff Report to the Subcommittee on Administrative Practice and Procedure of the Committee on the Judiciary of the U.S. Senate, December 1976.

At the time of the Comptroller's report, EPA was faced with a workload of about 46,000 pesticides (29,000 then registered that must be reregistered and 17,000 intrastate pesticides that must be Federally registered). Since 1975 this workload has increased substantially and probably exceeds 50,000 at this point. The deadline for completing this work was extended to October 1977, but former Acting Administrator of EPA, John R. Quarles, Jr., in a letter to Chairman Foley of the House Agriculture Committee, stated that reregistration with current agency resources would take at least 10 to 15 years.[4]

The gravity of this situation can best be conveyed by the Comptroller's findings that in most cases current safety data have not been submitted with respect to cancer, genetic changes, birth defects and reproduction.

This situation is aggravated by the fact that EPA was at least 9 months late in promulgating final reregistration regulations and as of this time has not finalized the guidelines for registration that were proposed on June 25, 1975.[5] Moreover, Congress has recently delegated to EPA vast new and additional responsibilities under the Toxic Substances Control Act[6] which, given its limited resources, further strains its ability to sort out the present pesticide impasse and develop effective regulation in this important area.

It is not our purpose to belabor the obvious and to subject EPA to additional negative criticism. Rather, we are submitting this testimony for the purpose of suggesting a means of greatly reducing EPA's workload. We respectfully submit that a major part of the EPA workload consists of unnecessary regulation of thousands of compounds which, based on long standing experience, are generally regarded as safe if used pursuant to label directions. If EPA were to adopt an abbreviated clearance system for such recognized as safe products, it could reduce its workload with regard to the disinfectants we are discussing by approximately 7,800 basic registrations and approximately 300,000 supplemental registrations. This would obviously free significant personnel and agency resources to be reallocated to reregistration of substances which should be carefully regulated or even eliminated but are presently for all practical purposes going unregulated.

In order to explain ISSA's proposal I will focus on four specific basic chemical substances which are widely used in the antimicrobial, disinfectant industry:

(1) *Halogens.*—Which is a group of five chemically related nonmetallic elements that include inter alia fluorine chlorine, iodine, and bromine. Products utilizing these chemicals include solutions used by bottling plans to disinfect bottles in the final rinse, on dairy equipment, and in swimming pools.

(2) *Phenolics.*—Which is a group including inter alia orthophenyl-phenols, para-tertiary-amylphenols, and ortho-benzyl-para-chlorophenols—in short, chemicals used as disinfectants in hospitals.

(3) *Quaternary ammonium compounds.*—Which are widely used in various forms in hospitals, nursing homes, schools and restaurants on food contact surfaces and in the third rinse of drinking glasses in bars an restaurants.

(4) *Pine oil.*—Which is a traditional germicide widely used in the home to control so-called Graham negative bacteria, which in large part are enteric bacteria that cause such things as salmonella food poisoning. It is favored by housewives because of its pleasing aromatic odor.

These basic substances are marketed to consumers in a diluted form. Equally important, they are marketed in many diverse mixture forms, each having some distinctive proprietary feature unrelated to toxicity which is intended to provide a unique marketing appeal.

Under present EPA regulation, EPA maintains a list of chemicals, such as the quaternary ammonium compounds, which if they are present in a commodity above a certain strength, are subject to labeling requirements imposed by EPA to direct the consumer to its proper use. ISSA has no objection whatsoever to this kind of regulation and indeed believes such regulation is sufficient to protect public health and the environment.

However, EPA has, we believe totally unnecessarily, complicated regulation of these substances by requiring individual registration, with all that entails as to expensive testing and data submissions, for each and every formulation that is marketed, and many thousands of such formulations are marketed. For

[4] Pesticide & Toxic Chemical News, vol. 5, No. 15, p. 15, Mar. 9, 1977.
[5] Comptroller's report, p. 68.
[6] 15 U.S.C. 2601 et seq., Oct. 11, 1976.

example, under existing EPA regulation, if a manufacturer markets a formulation composed of 3 percent quat. and the remainder inert and another formulation composed of 5 percent quat, and the remainder inert, he must obtain two registrations with all the attendant costly data requirements that involves.

Moreover, when a manufacturer of one of these basic substances produces a private label for each of his various distributors, who for marketing reasons wants a unique and distinctive product label, the manufacturer must get from EPA individual supplemental registrations for each distributor and for each product. For example, if a single given manufacturer has 300 distributors whom he supplies with 10 different products, he must process with EPA 3,000 supplemental registrations. In point of fact, out of 7,800 basic registrations, there are developed over 300,000 supplemental registrations in the disinfectant commodity area alone. This amount of paperwork is very voluminous, the processing time by EPA is lengthy, and the cost to both EPA and the industry is considerable. This is all the more true when you consider that there are thousands of manufacturers and distributors. We submit it is a wholly unnecessary workload for both the agency and the industry.

But the reality is actually worse. If a distributor desires to offer a product in three different colors or having three different scents, each formulation requires a new registration, which in the past proved to be even more time consuming than supplemental registrations. The multiplier effect is obviously staggering in its workload implications.

Moreover, not only does this system result in vast unproductive effort and waste of time and money, but it also doesn't work. Due to the impasse EPA finds itself embroiled in as to reregistration, there is literally a freeze on new registrations, and, of course, supplemental registrations pertaining to new registrations. Thus when some minor and, from a toxicity point of view, inconsequential product variation is contemplated, it can't be done because it would trigger the need for a new registration, which EPA will not or cannot process. The pernicious effects of this kind of dead hand on innovation and change in the sanitation products field is particularly harmful when the innovation is not merely undertaken for marketing reasons but to provide the consumer with a better product. EPA by inaction in effect denies any form of registration, and not only are innovations by existing firms stifled, but new entry into the business is likewise effectively precluded.

Still a further EPA policy or practice burdens the sanitation industry. In many of the ISSA formulations, inert ingredients are used. These inert ingredients are used inter alia to build a formula for purposes of stability and also to improve the effectiveness of products by inducing synergistic action. For example, such substances as sodium carbonate and ethylene diamine tetracetic acid are used to enhance the disinfectant properties of basic compounds. Despite the fact that these additives are indisputably inert substances, EPA in its regulatory discretion treats them as "active," even though they are not for all practical purposes active and have never been required to be registered when used separately. This is a particularly vivid example of misguided overregulation that serves no recognized statutory purpose.

From the foregoing, several propositions became rather evident:

(1) EPA presently engages in extensive unnecessary and unproductive regulation of products that are generally regarded as safe based on long empirical experience with numerous and widely varied consumers and use situations;

(2) Such wasted effort by EPA diverts it from its primary statutory mission of protecting the public and the environment from truly harmful substances;

(3) Such wasted effort is in part responsible for the regulatory impasse that concerns this committee and so long as this wasted effort continues, significant EPA resources that could be mobilized to carry out its real mission will be dissipated;

(4) The cost of this unnecessary regulation to the industry and ultimately to the consumer is substantially increased and therefore this overregulation has an adverse inflationary impact;

(5) Finally, this overregulation, by stifling both product innovation and new entrants due to the de facto moratorium on registration, is a restraint on trade that is contrary to the public interest.

Mr. Chairman, we believe that under existing law and EPA regulations, EPA can substantially reduce its workload and free agency personnel and resources to cope with its priority mission.

Section 25(b) of FIFRA provides:

"Exemption of pesticides.—The Administrator may exempt from the requirements of this act by regulation any pesticide which he determines * * * to be of a character which is unnecessary to be subject to this act in order to carry out the purposes of this act."

ISSA is not requesting to be totally exempted from regulation. We believe section 25(b) authorizes the kind of partial exemption or deregulation that I am about to propose.

Moreover, section 162.8(a)3 provides in pertinent part:

"If the Administrator determines that such properties of the specific pesticide or product are fundamentally different from the factors considered by the Agency he may waive a data requirement specified in the registration guidelines when he determines that the data so required is not necessary in order for him to determine whether such specific pesticide or product will generally cause unreasonable adverse effects on man or the environment." [40 F.R. 28242, at 28276]

We believe the foregoing authorizes EPA to establish a list similar to the "Generally regarded as safe" list used by the Food and Drug Administration. Thus a manufacturer of any formulation, using, for example, one of the chemical substances falling into one of the aforementioned basic categories would submit the chemical formula and the proposed label to EPA. EPA would be required within 60 days to approve or require modifications in the label necessary to assure that users were adequately informed of the proper method of safe use. Thus, an estimated 7,800 reregistration or registration dockets could be quickly disposed of with no risk to the public health or the environment.

There are impressive precedents for this regulatory process. In addition to the Food and Drug Administration, which uses this method for substances that are ingested by humans, the Consumer Product Safety Commission monitors adequacy of labeling as one of its chief techniques to assure safe consumer products.

Ironically, the "GRAS" list approach is not dissimilar to the so-called "2–C process" that EPA formerly employed and is similar to the regulatory approach EPA has announced it proposes to employ in implementing the Toxic Substances Control Act of 1976. Under the "2–C process" whenever a compound was identified as a "commonly accepted product," its toxicity is established and disclosed on the label and determined to be acceptable for the proposed usage, and finally, the product must be efficacious for the proposed use. These showings can be readily made on existing documentation and a substantial portion of EPA's workload can be disposed of definitively on an expedited basis.

In conclusion, Mr. Chairman, we urge the committee to direct the EPA to utilize the discretion it possesses under the law and its own regulations to simplify its regulation of the innocuous products marketed by the disinfectant or antimicrobial industry in the manner I have just described.

I thank you.

Mr. BAUCUS. Do you have a statement, Mr. Lyman?

Mr. LYMAN. No. I just want to add, a significant percentage of the workload now being carried by the present EPA personnel would be freed up. That would have, I suppose, some impact on EPA's appropriation as well. It certainly wouldn't add to it, but it would at least free up a certain amount of the personnel to do work that is essential.

Mr. BAUCUS. There is no doubt that all of us want to eliminate a lot of unnecessary redtape, because it is costly and for the reason you mentioned.

The question I have, how did the present EPA process evolve?

You state in your testimony that EPA has the authority under present law to draw up a safe list.

I am curious as to why they haven't done it so far. Were there rules and regulations? Was there a hearing period? Why are we where we are now, in your judgment, from a procedural point of view?

Mr. WHITNEY. It is because of broad definitions from the earlier act, which were carried over in the 1972 act, which encompasses a vast range of subject matter. Somewhere along the way there became articulated, around the time of the implementation of the 1972 Act, a kind

of inclusive presumption—the burden of proof was put on anyone who manufactured a substance that fell in these broad definitions to prove that it was not all these following things: a carcinogen, and so forth.

So, what that necessitated was someone who was going for a hard pesticide had no bigger burden than somebody coming in with pine oils.

So, it was really a bureaucratic interpretation of its powers, to place the burden of proof on nontoxicity and everything else that came to be regarded as bad on anybody who had a commodity that fell into one of these very, very broad definitions. For example, at one point plant regulators were being given the full treatment. People who came in with seaweed compounds that helped plants, a kind of fertilizer thing, a totally health food type of thing was being given the same type of treatment as the sanitary supply commodities.

Mr. BAUCUS. So, the presumption is, you find the problem in the regulations?

Mr. WHITNEY. By the regulations in the 162 series, you have a series of data requirements. It is an indiscriminating requirement. It falls on everybody who comes within these broad categories.

Mr. BAUCUS. If this presumption was established in regulations I presume there was time for hearings. I wonder whether you made your points at that time?

Mr. WHITNEY. Unfortunately we were retained to look into this matter for the industry only about 6 months ago. They were not really organized to do this. Individual companies did. They obviously didn't prevail.

Mr. BAUCUS. What have you done so far? Have you talked to the agency?

Mr. WHITNEY. Yes.

The next step is to file a formal petition. Actually we have two things we intend to do in the regulatory area, in addition to appealing to the Congress.

The first is to file a petition under section 25(b) and the regulation I cite in here, seeking an exemption and waiver approach and suggesting that they, on an expedited basis, adopt a kind of resurrection of the old 2–C clearance system.

Mr. BAUCUS. When do you plan to do that?

Mr. WHITNEY. I would say within the next fortnight, as soon as we can get the chemical substances.

Mr. BAUCUS. Do you know how long it will take?

Mr. WHITNEY. The guidelines were published on June 25, 1975, and they still haven't been issued from the agency, so I can't say we are optimistic. This is one of the reasons we are approaching this from the point of view of the legislative interest in efficiency and cost-effective government.

Mr. BAUCUS. Did you also appear before the authorizing committee?

Mr. WHITNEY. We appeared before Congressman Foley's committee.

Mrs. BOGGS. I am fairly familiar with this problem because I had a constituent firm that was caught in the switches between the old 2–C arrangement and the new feelings that the agency had to follow on the litigation.

Mr. BAUCUS. Thank you very much, Mr. Whitney and Mr. Lyman. We will take your views into consideration.

EPA—Academic Training Programs

WITNESS

DR. N. BRUCE HANES, VICE PRESIDENT, ASSOCIATION OF ENVIRONMENTAL ENGINEERING PROFESSORS

Mr. Baucus. We will next hear from Dr. Bruce Hanes, Vice President, Association of Environmental Engineering Professors.

Dr. Hanes. Thank you so much for hearing our story this afternoon with respect to academic training. Professor Glazer presented his testimony. I will attempt to fill in the spaces in between, in that we have been working together on this particular problem.

The purpose of this testimony is also to make a positive recommendation with respect to the development of a comprehensive educational program that will be required to fully implement the Federal laws concerned with protecting the environment of our country.

Professor Glazer discussed the laws; I would like to add, I think it is apparent that the full implementation of this landmark legislation has not progressed smoothly and in some cases legislative deadlines have not been met.

It's also become increasingly apparent that one of the problems 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 will of our people.

It must be emphasized that it is not our intent, nor do we believe it was the intent of Congress, that the Environmental Protection Agency support all environmental education. We do believe, however, that clearly it is the responsibility of EPA to identify specifically the specialized manpower requirements for the implementation of the legislation and to provide the educational support necessary to asure that these human resources are available.

As one reviews the budget requests of the EPA in recent years, it is glaringly apparent that the Agency does not share this opinion. Further, when one reviews the staffing of the EPA over the past few years, an apparent decline in grade levels, numbers and expertise of individuals concerned with manpower is evident.

At this time, the highest individuals concerned with manpower in the Washington work force of EPA concerned with manpower development is a GS–14 holding a temporary position. This present commitment of staff does not represent a serious concern of reasonable priority on the part of the EPA for the important function of manpower development.

In fact, if it were not for the positive action of Congress in the past there wouldn't even be a skeleton program left in the EPA today to address the problem of manpower development. It is because of the past interest of Congress and the lack of interest of the EPA that brings me before you today.

I am currently head of the engineering department at Tufts University in Massachusetts. I have served in various capacities in the World Health Organization, I have worked with Federal Government, I have worked with two State governments. The first job I had was with the Montana State Board of Health.

Mr. BAUCUS. How long ago was that?

Dr. HANES. 1957 with Don Willins, who is now head of your water pollution group in Montana, Don and I surveyed streams together, just starting out. In addition to this, I have done much work with local groups and I think this has given me a feeling with respect to our environmental problems and their solutions from both inside and outside of the ivy-covered walls.

I also hold the elected position now of vice president, Association of Engineering Professors, also chairman of our Winchester, Mass., board of health. With this as a perspective, in response to our professional responsibilities to our country, a group of environmental engineers and scientists have elected to develop a comprehensive budget for academic training which provides the minimum Federal support needed in fiscal year 1978 to meet our Government's responsibilities to our people.

Also incorporated in this budget are funds to permit the EPA to develop a workable manpower forecasting system so that their educational program in the future will be responsive to the specific needs as created by the Federal legislation.

The budget presented in Professor Glazer's testimony and mine are essentially the same. If we look at the Public Law 91–604, Air Pollution Control, we are recommending a total of $5.25 million, there distributed among graduate fellowships, professional training, consortia support, special programs, short-term technical training and work force forecasting.

Public Law 92–500, Water Pollution Control law, professional graduate training, research fellowships, direct training, undergraduate training, curriculum development, operator and instructor training and work force forecasting.

Under Public Law 93–523, Safe Drinking Water Act, professional graduate training, technical training for a total of $3 million.

In addition to Professor Glazer's budget, we have a recommendation of $2 million for environmental radiation control. This budget as presented was essentially supported last year by the testimony of Dade Moeller on April 7, 1976. He supported the environmental radiation control portion of the budget and the air pollution control portion of the budget.

The back-up information, I have copies with me today, begins on page 725 of the hearings report of this committee. As far as the Safe Drinking Water Act and the Water Pollution Control Act, I have submitted information last year supporting these budgets, and this starts on page 475 of the hearings report and again, copies of this testimony are available.

I would like to say, with respect to these budgets, that it is of utmost importance that Congress specifically relates appropriations to their proper sections of enabling legislation to insure these funds are used for their intended purposes.

Funds incorporated under such broad terms as academic training are essentially a blank check and may be used in any number of ways. A careful review of the use of the $2 million added to EPA's fiscal 1976 budget for academic training as well as the proposed use of the $4 million added to EPA's fiscal 1977 budget reveals the importance of being specific.

Further, the delays caused by negotiations between the EPA and Congress with respect to the use of the $4 million add-on to the fiscal year 1977 budget have had a negative impact on the programs they were intended to support. It is imperative that these funds be made available as soon as possible this year before even more excellent candidates for training are lost.

The major difference between the budgets last year and this year, is that first, there are funds provided for work force forecasting. This is to enable EPA to develop an efficient training program by identifying potential as well as existing manpower needs.

The other area, major deviations from last year's budget is under the Safe Drinking Water Act, in which $1 million is recommended for support of technical training. The purpose of this is, on June 24 of this year, the new, more stringent drinking water standards will go into effect.

As a result of Federal legislation, we will find an increased need for manpower to assure these standards are met.

In conclusion, I would like to say it is recommended that the proposed budget be funded so that a comprehensive program of manpower development can be reinitiated by the EPA. New funding for work force forecasting has been incorporated into the budget request to permit the most efficient use of the Federal dollars in response to our Nation's manpower needs.

It must be emphasized that the proposed budget is considered to be a minimum realistic effort. Also I would like to emphasize that one person didn't put this together, that we truly worked together to try and develop a comprehensive program.

Also, this concept is endorsed by other educators. Last year supporting material from eight States and many universities throughout the country, was presented in the form of exhibits. Additional support from the professional community this year is offered by the New England Staff-Coordinated Air Use Management Group—exhibit 1—and this is a very strong resolution outlining the need for academic training, passed on March 17 of this year.

Exhibit 2, which is from the Association of State and Interstate Water Pollution Control Administrators, it is really their support of the training section of House bill 3199. And exhibit 3, which is a letter reaffirmining the support of the New England Interstate Water Pollution Control Commission.

Now, if there are any questions that I can answer, I would be delighted to at this time.

Mr. BAUCUS. Thank you very much, Dr. Hanes.

I will ask you the same question I asked the others today. Where would you cut?

Dr. HANES. I was cheering Professor Glazer's response because we hadn't discussed this particular point but actually one of the proposals that has been around the Hill for a considerable period of time is that a certain percentage of the construction funds be donated to—I shouldn't say "donated," but be designated to be used for academic training and professional training for the implementation of the construction of these waste water treatment plants. It makes sense, because as Professor Glazer indicated, we have plants that are poorly

designed that have been built, we have plants that are poorly operated, and to really efficiently get the most out of our money, this is part of the comprehensive program that should go hand in hand with the overall EPA effort.

The EPA budget is a difficult thing, and I haven't seen a copy of it completely but again, I guess the construction fund area gets picked on the most because it overshadows all other parts of the budget itself.

Mr. BAUCUS. So you would take it out of the construction portion?

And the contention is, the $1.4 million for direct training as the Senate negotiated it down to $700,000, and it has been negotiated down to $700,000. That's where it's stuck now, between this committee and EPA.

What happens is that none of the funds for the other purposes as suggested by the EPA memorandum have been distributed so that students now are making their decisions for next year and this is the best possible time to get the best possible people in the training.

That's what we are after.

Mr. BAUCUS. Fundamentally, I'm generally new to this kind of a question determination. I wonder if you can explain primarily for my benefit why the marketplace generally can't satisfy these needs? Why can't projects which are bid for have people to perform the work? Why do we have to have a manpower program?

Dr. HANES. Most of us are working for State and Federal agencies. Basically as a result, the salaries are not competitive to the marketplace, as it would be in the case of private industry bidding for individuals and so what happens is, a person needs to hire an individual to implement the laws that have been passed. The incentive for an individual to go to work for a State agency is not that great, unless there is some added attraction. As a result, the testimony of last year shows that supply and demand, which is what Mr. Tossi over at OMB says must work on this, just doesn't, because we have surveyed since 1971 the programs in water pollution control and there is a direct correlation between the support given by EPA to the programs and the number of students in the programs itself.

This is on page 6 of last year's hearings. So I think primarily it's because of where the jobs are that the marketplace just doesn't seem to work satisfactorily.

Mr. BAUCUS. Any questions?

Mrs. BOGGS. No just thank you very much for your testimony. I'm very pleased to have you representing this very important aspect of manpower training, which is related to the problems that the people seem to feel need to be solved, and those we try to translate into legislation, creating effective programs.

Dr. HANES. Basically I appreciate you taking your time to listen, because we feel it's very important. We have trouble sometimes getting people to listen to us.

I think it makes sense, because what you are trying to do is implement that particular part of it.

Mr. BAUCUS. The committee last year appropriated about $4 million. You have submitted according to your budget, as I understand it, about $17 million. Assuming we were to fund it only at the $4 million level where, that is under what categories, would you provide or suggest we provide the $4 million?

Dr. HANES. This is a very difficult question. If you look at the proposed budget this year, some of the things that happen are: under "Water pollution," there is $700,000 for direct training. That's the Cincinnati effort. Last year we suggested $600,000. This year it's my understanding it's in the budget for $700,000, but that's part of the existing budget, so that's not additional funds. Under "Operator and instructor training," the suggestion here is $2 million. There is actually $1 million in the existing budget for operator training. So again that is a repeat. Now, under "Short-term technical training," this is the item causing all the difficulty this year, basically the Northrop contract, and these are funds which I understand are in this year's budget for the direct training for fiscal year 1978. So I'm not suggesting we count these funds twice as they are already there. So we can subtract about $3.2 million from the total of $17 million.

Where to cut is a difficult question. There aren't any funds in environmental radiation control. I think you do better in trying to maintain the programs that you have successfully operated up to this point. The problem is, we are going to be concerned with that particular issue if we go to nuclear power development in a big way to solve our power/energy problems. The testimony of Professor Moeller last year points out just how thinly populated we are in that particular area even to cope with the problems that we have. But, perhaps we could postpone that area for another year.

Coming back in then to the $4 million added on last year; it's been broken down between air and water; mostly going to professional graduate training. It's been mostly going to (1) the fellowship program which is a retraining program for existing State employees, and (2) at a diminished level, of course, to undergraduate work.

Now, I think that type of apportionment, if we can remove the direct training for air, is probably the best that we can do.

Also, some of it is devoted to the Safe Drinking Water Act.

Mr. BAUCUS. When you say that kind of apportionment, you mean the apportionment you just generally outlined or what?

Dr. HANES. As I have outlined as to where it's going.

Mr. BAUCUS. Why is the present $4 million level having a negative effect?

Dr. HANES. It just hasn't come out yet. What happened is: Immediately when it was added to last year's budget, it went to EPA. And a letter came down describing how the funds were to be used. There was no personal training in it virtually; $1.4 million went immediately to direct training which was not the intent of either the House or the Senate. It has evolved to the point where these funds are still not available for expenditures at this time.

Mr. BAUCUS. One final question. Whether in your judgment the committee should fund the facility at Triangle Park or would the funds be better spent on graduate training?

Dr. HANES. I personally think that direct training is a part of the total program. That's why it was included in last year's budget and this year's budget. The problem with deciding where the funding should go, is that I obviously feel both programs should be funded. I think at this particular point, since I have been trying to weigh

this thing and work with it since last October, I personally am willing to accept a compromise. I think at this point a compromise would probably be best to get all of the programs moving along.

Personally, I feel it was not the proper thing to do: To come back this year and request a direct training program because that was not the intent, as I understand it, of Congress at this point. But, they got us, in a fashion, because we are looking for a change in philosophy, hoping for a change in philosophy, but basically if we read the interest of EPA in the past, they really haven't been encouraging the training programs, so the incentive for them to—just looking at them from a purely practical point of view—release these funds are very small, unless they can get some funds they need for the direct training, where they are in a bind.

Mr. BAUCUS. Thank you very much, Dr. Hanes. You have been very helpful. We will place your complete statement in the record at this point.

[The complete statement follows:]

THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY'S
ACADEMIC PROGRAMS
FOR
AIR POLLUTION CONTROL, WATER POLLUTION CONTROL, AND
SAFE DRINKING WATER ACT

The purpose of this testimony is to make a positive recommendation with respect to the development of a comprehensive educational program that will be required to fully implement the Federal laws concerned with protecting the environment of our Nation. The citizens of the United States have expressed their desire for a clean, safe and healthy environment through the enactment by Congress of Public Laws 91–604, 92–500, 93–523 and others. The full implementation of this land mark legislation has not progressed smoothly and in several cases legislated deadlines have not been met. 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 will of our people. It must be emphasized that it is not our intent, nor do we believe it was the intent of Congress, that the Environmental Protection Agency support all environmental education. We do believe however, that clearly it is the responsibility of EPA, to identify specifically the specialized manpower requirements for the implementation of the legislation and to provide the educational support necessary to assure that these human resources are available. As one reviews the budget requests of the EPA in recent years it is glaringly apparent that the agency does not share this opinion. Further, when one reviews the staffing of the EPA over the past few years an apparent decline in grade levels, number and expertise of individuals concerned with manpower is evident. At this time, the highest position that can be identified in the Washington work force of EPA concerned with manpower development is a GS–14 holding a temporary position. This present commitment of staff does not represent a serious concern or reasonable priority on the part of the EPA for the important function of manpower development. In fact, if it were not for the positive action of Congress in the past there wouldn't even be a skeleton program left in the EPA today to address the problem of manpower development. It is because of the past interest of Congress and the lack of interest of the EPA that brings me before you today.

In response to their professional responsibilities to our country a group of environmental engineers and scientists have elected to develop a comprehensive budget for academic training which provides the minimum Federal support needed in fiscal year 1978 to meet our Government's responsibilities to our people. Also incorporated in this budget are funds to permit the EPA to develop a workable manpower forecasting system so that their educational program in the future will be responsive to the specific needs as created by the Federal legislation.

PROPOSED COMPREHENSIVE BUDGET, EPA ACADEMIC TRAINING, FISCAL YEAR 1978

PUBLIC LAW 91–604: AIR POLLUTION CONTROL

Section and 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
Subtotal	5,125,000

PUBLIC LAW 92–500: WATER POLLUTION CONTROL

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)—Work force forecasting	500,000
Subtotal	7,500,000

PUBLIC LAW 93–523: SAFE DRINKING WATER ACT

1442(9)(b)(3)(A)—Professional (graduate) training	2,000,000
1442(9)(b)(3)(A)—Technical training	1,000,000
Subtotal	3,000,000

TITLE 42, U.S. CODE, SECTION 241 (PL 93–352); TITLE 42, U.S. CODE, SECTION 2021 (H); AND 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	500,000
Subtotal	2,000,000

TOTAL EPA TRAINING NEEDS $17,625,000

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 may be used in any number of ways. A careful review of the use of the $2,000,000 that was added to EPA's fiscal year 1976 budget for academic training as well as the proposed use of the $4,000,000 added to EPA's fiscal year 1977 budget reveals the importance of being specific. Further, the delays caused by negotiations between the EPA and Congress with respect to the use of the $4,000,000 add-on to the fiscal year 1977 budget have had a negative impact on the programs they were intended to support. It is imperative that these funds be made available as soon as possible this year before even more excellent candidates for training are lost.

The supporting material for the air pollution control and the environmental radiation control budgets was presented before this committee on Wednesday, April 7, 1976, by Dr. Dade W. Moeller and may be found starting on page 725 of the hearings report. The supporting material for the Water Pollution Control

and Safe Drinking Act budgets was presented before this committee on Thursday, April 8, 1976, by Dr. N. Bruce Hanes and may be found starting with page 745 of the hearings report. The rationale for minor revisions of last year's budget are presented below.

PUBLIC LAW 91–604: AIR POLLUTION CONTROL

An additional request of $500,000 was added this year for the purpose of Work Force Forecasting. The purpose of these funds is to enable the EPA to develop an efficient training program by identifying potential as well as existing manpower needs.

PUBLIC LAW 92–500: WATER POLLUTION CONTROL

The amount requested for research fellowships has been increased by $400,000 in recognition of the critical need for upgrading existing employees of State agencies. The direct training request is increased by $100,000 to match the current fiscal year 1978 budget request. Undergraduate training was increased by $150,000. Richard Glazer will testify with respect to this need.

The apparent $1 million increase for operator and instructor training is not a real increase over last year because funds for this purpose were originally carried in the fiscal year 1977 budget. In addition $300,000 are requested for curriculum development and $500,000 for work force forecasting to permit the development of a comprehensive program to identify and meet training needs.

PUBLIC LAW 93–523: SAFE DRINKING WATER ACT

An addition of $1 million is recommended for the support of technical training. On June 24, 1977, the new more stringent drinking standards required by this act will go into effect. There is a need, at all levels of government, for additional better trained manpower including water plant operators, technicians, and instructors, to assure that the requirements of these standards are met.

CONCLUSIONS

It is recommended that the proposed budget be funded so that a comprehensive program of manpower development can be reinitiated by the EPA. New funding for work force forecasting has been incorporated into the budget request to permit the most efficient use of the Federal dollars in response to our Nation's manpower needs. It must be emphasized that the proposed budget is considered to be a minimum realistic effort. Also it should be noted that the proposed budget is not the result of one individual's effort nor one special interest group but rather, it is the result of hard work by many concerned professionals who wish to see the Nation's Environmental Control program succeed. This concept was endorsed last year by resolutions from eight States and many universities throughout the country. Additional support from the professional community is provided this year by the New England staff-coordinated air use management (exhibit 1); Association of State and Interstate Water Pollution Control Administrators (exhibit 2); and the New England Interstate Water Pollution Control Commission (exhibit 3).

EXHIBIT 1.—RESOLUTION ON TRAINING PASSED BY THE NEW ENGLAND STAFF-COORDINATED AIR USE MANAGEMENT (NESCAUM).

(NESCAUM is a subcommittee of the New England Governors Conference consisting of state air pollution control directors from the 6 New England States and New York. NESCAUM is also an official interstate planning agency under the Clean Air Act)

NEW ENGLAND STAFF—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*
Date: March 17, 1977.

EXHIBIT 2.—ASSOCIATION OF STATE AND INTERSTATE WATER POLLUTION CONTROL ADMINISTRATORS

Support of Training Section of H.R. 3199

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 (Illinois). I cast an affirmative proxy vote for Connecticut, New Hampshire, Rhode Island, and Vermont 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 Connecticut, New Hampshire, Rhode Island and Vermont on this issue.

Authorization Extensions—There was consensus, 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 an 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 Connecticut, New Hampshire, Rhode Island, and Vermont 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 percent and 75 percent funding issue. My notes indicate separate votes on these issues.

I cast an affirmative proxy vote for Connecticut, New Haven, Rhode Island, and Vermont on the retention of the $300 million until expended and abstained on the question of the Federal share being 100 percent for initiation of the plan and 75 percent carrying out, updating and maintaining the plan.

EXHIBIT 3.—LETTER OF SUPPORT FROM NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION

NEW ENGLAND INTERSTATE WATER POLLUTION CONTROL COMMISSION
Boston, Mass., March 25, 1977.

DR. BRUCE HANES,
Chairman, Department of Civil Engineering, Tufts University,
Medford, Mass.

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 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 midyear 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.

EPA-SOLID WASTE, TOXIC SUBSTANCES AND WATER PROGRAMS

WITNESS

MR. A. BLAKEMAN EARLY, ESQ., ENVIRONMENTAL ACTION, INC.

Mrs. BOGGS. Mr. Early, please.

Mr. EARLY. Good afternoon. I will try to summarize my statement as best I can, because I know things are running late.

Mrs. BOGGS. We are happy to have you before us and will submit your complete statement for the record at this point.

[The complete statement follows:]

STATEMENT OF A. BLAKEMAN EARLY

Good afternoon Mr. Chairman and members of the Subcommittee on HUD and Independent Agencies. My name is A. Blakeman Early, I am appearing on behalf of Environmental Action, Inc., a national citizens environmental organization located in Washington, D.C. I am appearing before you today to address issues concerning appropriations in fiscal year 1978 for the Environmental Protection Agency. My testimony will concentrate on the administration's proposed budget for EPA's Office of Solid Waste, but I shall also comment on the proposals for the Offices of Toxic Substances and Water Programs. Environmental Action was the most active citizen's environmental organization during congressional consideration of the recently passed Resource Conservation and Recovery Act—Public Law 94–580—and a very active member of a coalition of such groups in support of the Toxic Substance Control Act—Public Law 94–469. We are understandably most interested that EPA receive a sufficient level of funding to ensure that these two landmark pieces of legislation are administered in accordance with congressional intent.

My comments on EPA's fiscal year 1978 appropriations should be prefaced with a word about the history of funding for EPA. In my view, EPA has been given, from its inception, an enormous number of tasks and too few resources with which to carry them out. This situation has been a major factor in the acrimony surrounding EPA's alleged excessive red tape and delay. When an agency does not have adequate manpower, something doesn't get done or it at least does not get done on time. Many of the budget restrictions during the past administration were justified on the basis of saving money. I would submit that the objective of saving money is not achieved when EPA action results in needless litigation brought on by poor scientific backup due to inadequate resources, or needless litigation brought against EPA to force it to carry out its mandate; or needless delay for business and citizens trying to obtain EPA approvals for various activities. I contend that in the long run, more money is expended when the original investment, if you will, in EPA's budget is not adequate. Furthermore, we get less of what we are paying for, namely protection of public health and the environment.

Both the Resource Conservation and Recovery Act—RCRA and the Toxic Substances Control Act—TSCA—provide important new links in our efforts to prevent further degradation of the environment and reduce threats to public health.

I will first discuss the Resource Conservation and Recovery Act, for the disparity between the legislative mandate and the resources to carry out that mandate is greatest with respect to this statute.

In order to adequately assess EPA's resource needs to adequately implement the RCRA, a brief description of some of the program areas is necessary.

The Resource Conservation and Recovery Act—RCRA—prescribes a new cooperative Federal, State, and local relationship to attack the mounting health and environmental threats posed by the land disposal of hazardous and nonhazardous waste.

Responsibility is divided in accordance with the hazardous nature of the waste. EPA is primarily responsible for regulating the proper management of hazardous wastes and the State and local governments are primarily responsible for nonhazardous waste management. EPA is to assist State and local governments by providing research, guidance, technical assistance and a limited amount of funding concerning nonhazardous waste management. These latter functions are similar to those authorized EPA under previous legislation except that the level of EPA assistance is dramatically increased.

HAZARDOUS WASTE

Regulating hazardous waste management is a totally new role for EPA. If the hazardous waste program is effectively implemented, EPA can prevent the future degradation of surface and groundwaters of the type that has been well documented and prevent a major route by which toxics enter our environment. Although the authorities of the Toxic Substances Control Act—TSCA—and RCRA overlap, EPA is mandated to use its RCRA authorities first in order to eliminate an unreasonable risk to health or the environment. A brief description of the hazardous waste activities prescribed under the RCRA will serve to illustrate the magnitude of the program EPA is mandated to implement.

Identification and standards.—No later than April 1978. EPA must define and identify hazardous wastes; describing in what quantities, concentrations, and under what circumstances of disposal they become a threat to health or the environment. EPA must prescribe standards for all facilities used to treat, store or dispose the wastes it has identified. Furthermore, within the same time period, EPA must also issue standards for generators and transporters of hazardous wastes repecting record keeping, labeling, containerization, reporting, and the use of a manifest system for tracking hazardous wastes from generation to disposal.

Permit System.—EPA is required to establish and administer a permit system resembling the N.P.D.E.S. system created under the Federal Water Pollution Control Act, for operators of hazardous waste treatment, storage, and disposal facilities. Facilities subject to standards and permits under the RCRA include those onsite facilities used as part of a commercial or industrial process as well as those facilities used as part of an independent hazardous waste commercial enterprise. As in the Water Act, EPA may transfer responsibility for the admin-

istration of the permit system to any state which demonstrates that it has adequate authorities and resources to properly administer it. Congress intended that the hazardous waste program be implemented in a manner similar to the Water Act such that EPA would bear the burden of doing the technical research and establishing national uniform standards. EPA must also bear the initial burden of administering the permit system while the states develop the expertise and resources necessary to assume responsibility for the permit system.

The fiscal year 1978 budget as proposed by the administration, does not provide EPA with enough resources to establish adequate standards. The only alternative open to the Agency is to identify the least number of wastes possible as being hazardous in order to minimize the technical burden of establishing and supporting standards for them. Furthermore, the fiscal year 1978 proposal glaringly omits any additional resources for the regional offices where the permit system will be administered. The obvious result is the creation of an incentive for EPA to issue relatively weak standards in order to avoid scaring the States away from assuming responsibility for the program. EPA is also less likely to be too demanding in establishing minimum standards for State assumption when its own resources are inadequate.

Let me turn to the basic resource question: how many permits are involved in this hazardous waste program. As I just mentioned, EPA has significant latitude in identifying hazardous wastes. In addition, EPA has considerable latitude in identifying what is storage and treatment of hazardous wastes: activities which also require permits. We do know that EPA, and approved States, have written some 45,000 permits for industrial discharges under the NPDES program of the Federal Water Pollution Control Act—FWPCA. Also, EPA estimates that there are a minimum of 55,000 industrial users of municipal treatment works for which pretreatment standards will be issued. Presumably a large number of industrial discharges and industrial users of municipal treatment systems will be disposing, treating or storing, wastes which the FWPCA standard will no longer permit in the water or sewage system. Let us say that just half of these waste sources actually need a permit. And let us further assume that the States are in a position to assume permit issuance responsibility for half of these. EPA may face the task of processing and issuing some 25,000 permit applications in late fiscal year 1978 and fiscal year 1979. If we assume further that the average permit takes two/man-days to process, EPA will need 50,000 man-days, or nearly 150 people. The point of this modest calculation is not to exaggerate the hazardous waste program into the largest program at EPA. My purpose is to emphasize that the statute must be approached with some degree of realism and, unfortunately, that has not been done to date. As members of this subcommittee know, the administration budget provides only 60 people for all 10 EPA regions. These people must carry out EPA's other responsibilities to provide technical assistance guidance, and administer grants. By way of contrast, EPA had 361 people just to process NPDES permits in fiscal year 1976, at the height of the permitting process. Assuming that my previous calculations are overestimating EPA's need, it would not be unreasonable to provide 8 to 10 people per region for the purpose of processing hazardous waste permits alone. Calculating at roughly $33,000 per man which is the funding request in the administration budget for EPA's water permit effort, the hazardous waste program would need approximately $2.6 to $3.3 million in order to provide adequate analytical and technical support for the permitting effort.

NONHAZARDOUS WASTE

The major emphasis or RCRA in attacking the problems of nonhazardous municipal waste was providing an incentive to State and local governments to initiate a comprehensive series of activities which at a minimum would result in the closing of open dumps for municipal waste and the creation of a coordinated plan for properly managing such wastes. EPA's role is to develop guidelines for planning, conduct research and studies on waste management technologies and techniques, provide technical assistance on waste management implementation, and provide limited p'anning grants. Much of the congressional emphasis of EPA's role is directed at facilitating resource conservation and recovery by reducing so-called institutional barriers caused by inadequate information and analysis of new recovery technologies and inadequate understanding of financing and contracting requirements and procedure necessary to establish recovery facilities and systems. The Ford administration, chiefly through OMB, forestalled congressional approval of the major grant program for resource recovery facilities

on the basis that the institutional problems were the only impediment and private sector funding was available. Yet the administration fiscal year 1978 budget fails to provide EPA adequate resources to meet the demand for assistance in eliminating these barriers. Past experience in the technical assistance program, a basic part of the Resource Recovery Act of 1970, has shown that the Office of Solid Waste could easily use three people in each region solely for this function. Certainly, the ability of State and local governments to assume their share of the responsibility for implementing this act is partially dependent on EPA's ability to provide them technical expertise.

STATE AND LOCAL GRANTS

The RCRA provides grants to State and local governments to help them assume the heavy responsibilities that the RCRA provides for them. Even in the hazardous waste program, the congressional intent clearly provides that the States should assume as much responsibility as possible. Authorizations of $25 million for fiscal year 1978 are provided for the development of State hazardous waste programs and $30 million is provided in fiscal year 1978 for statewide solid waste management planning. In addition, $15 million is authorized for local and regional facilities planning and analysis and $25 million for rural communities assistance grants. Currently, the administration budget provides only $12 million for State grants. It is fairly obvious to me that congressional expectations of enthusiastic State and local assumption of responsibilities under the RCRA are doomed if greater resources are not provided. In my view, at least the $25 million for hazardous waste programs and $30 million for statewide planning are fully needed.

RESOURCE CONSERVATION

Finally, the RCRA provides authority for EPA to conduct a series of very important studies on low-technology resource recovery systems, resource conservation techniques and key disposal problems such as sewage sludge disposal. Of particular importance is the Resource Conservation and Recovery Committee. This committee, headed by EPA, has gained recent notoriety because rumors concerning President Carter's environmental message allege that he will call for an acceleration of its mission. The committee is authorized $2 million to study various means of encouraging greater resource conservation and recovery. Proposals in this area have been continuously before the Congress since 1969, yet have received precious little study. Recently, the Commission on Supplies and Shortages in its final report to the Congress endorsed measures to internalize the cost of disposal in the pricing mechanism as one advance which would help eliminate the shortage problems of 1974 from reoccurring. We would hope that the Resource Conservation and Recovery Committee could examine these important issues, however, currently, the committee has only a $300,000 budget and a staff of six. Clearly these studies and the others provided for in title VIII of the RCRA will not be conducted very well, if at all, under such restraints.

I would like to turn now to a much briefer discussion of the budget for the Office of Toxic Substances. The new Toxic Substances Control Act was passed last year in an effort to provide some assurance that the approximately 1,000 new chemicals per year that are produced will not pose a risk to public health and the environment once commercially used and disseminated. The concept is to stop the PCB tragedy from reoccurring. Fortunately, this program has fared better initially than the solid waste program. In the fiscal year 1977 budget and supplemental, the Office of Toxic Substances will be able to staff up to approximately 327 positions. Taking into account the time it takes to find and hire competent personnel, we are pleased that the administration budget took a realistic approach to meeting the program's needs. However, the administration request for 1978 includes no new positions for this program. Returning for a moment to my earlier comments about the longrun costs of inadequately funded programs, this example may well prove to be the classic illustration of my point. This program can save $20,000 per year in treatment costs for each potential cancer victim it saves from this dreaded disease. Clearly, the benefits from this program will be repaid many times over in disease prevention.

It is interesting to note that EPA's Office of Pesticide Programs contends that it will have an impossible job reviewing 1,400 pesticides within the next 5 years at a 637 personnel level. The Office of Toxic Substances is required by the TSCA to review 30,000 existing chemical substances as well as 1,000 new chemicals

per year with half as many personnel. Although I recognize that the activities of these programs are not completely analogous, an increase of the level provided in 1977, or 280 positions could easily be effectively utilized in the Office of Toxic Substances.

In conclusion, I urge the subcommittee not to allow EPA's sad history of inadequate funding for aggressive environmental mandates to extend to these important new statutes. Furthermore, Environmental Action fully supports the testimony of the next witness Ms. Khristine Hall of the Natural Resources Defense Council and her comments regarding the critical budget need in EPA's water program.

Mr. EARLY. I am happy to be here. My name is A. Blakeman Early. I am appearing on behalf of the Environmental Action, Inc. This organization was most active last year when the Senate and Congress was considering the Resource Recovery Act.

We are also very much involved in supporting the passage of the Toxic Substances Control Act. These are the principal areas we are interested in, of course, as the subcommittee considers EPA's budget for fiscal year 1978.

My comments on EPA's fiscal year 1978 appropriation should be prefaced with a word about the history of funding for EPA. In my view, EPA has been given, from its inception, an enormous number of tasks and few resources to carry them out with.

This situation has been a major factor in the acrimony surrounding EPA's alleged excessive redtape and delay. When an agency does not have adequate manpower, something doesn't get done or it at least does not get done on time. Many of the budget restrictions during the past administration were justified on the basis of saving money.

I would submit that the objective of saving money is not achieved when EPA action results in needless litigation brought on by poor scientific back-up due to inadequate resources, or needless litigation brought against EPA to force it to carry out its mandate; or needless delay for business and citizens trying to obtain EPA approvals for various activities.

Not to mention the long-term effects which accrues to health and environment. In the long run, more money is expended when the original investment, if you will, in EPA's budget is not adequate. Furthermore, we get less of what we are paying for, namely protection of public health and the environment.

Both the Resource Conservation and Recovery Act—RCRA—and the Toxic Substance Control Act provide important new links in our efforts to prevent further degradation of the environment and reduce threats to public health.

I will first discuss the Resource Conservation and Recovery Act, for the disparity between the legislative mandate and the resources to carry out that mandate in the fiscal 1978 is greater with respect to this statute.

In order to adequately assess EPA's resource needs to adequately implement the RCRA, a brief description of some of the program areas is necessary. Basically, the act makes a decision between hazardous and non-hazardous waste. EPA has the mandate to issue standards which identify hazardous wastes, which control the storage, treatment, and disposal of hazardous wastes.

The act provides EPA a supportive role with respect to the collection and disposal of nonhazardous municipal waste. With respect to hazardous waste, EPA's program will be no small challenge.

First, they have to issue criteria, issue standards controlling the generation, transportation, treatment and disposal of these wastes, and finally, they have to create a permanent system which very much resembles the MPDS system in the Federal Water Pollution Control Act.

This permanent system would be applicable only to those industries or individuals who operate or maintain a disposal or treatment facility. This may be one connected with ongoing industrial process or an operation which is created solely for the purpose of conducting those activities.

The fiscal year 1978 budget as proposed by the administration, does not provide EPA with enough resources to establish adequate standards. The only alternative open to the Agency is to identify the least number of hazardous wastes possible as being hazardous in order to minimize the technical burden of establishing and supporting standards for them.

Furthermore, the fiscal year 1978 proposal glaringly omits any additional resources for the regional offices where the permit system will be administered. The obvious result is the creation of an incentive for EPA to issue relatively weak standards in order to avoid "scaring" the States away from assuming responsibility for the program. EPA is also less likely to be too demanding in establishing minimum standards for State assumption when its own resources are inadequate.

Let me turn to the basic resource question: How many permits are involved in this hazardous waste program. As I just mentioned, EPA has significant latitude in identifying hazardous wastes. In addition, EPA has considerable latitude in identifying what is storage and treatment of hazardous waste—activities which also require permits.

We do know that EPA, and approved States, have written some 45,000 permits for industrial discharge under the NPDES program of the Federal Water Pollution Control Act. Also, EPA estimates that there are a minimum of 55,000 industrial users of municipal treatment works for which pretreatment standards will be issued.

Presumably a large number of industrial dischargers and industrial users of municipal treatment systems will be disposing, treating or storing, wastes which the FWPCA standard will no longer permit in the water or sewage system.

Many of these wastes may be designated as hazardous wastes. Let us say that just half of these waste sources actually need a permit. Let us further assume that the States are in a position to assume permit issuance responsibility for half of these. EPA may face the task of processing and issuing some 25,000 applications in late fiscal year 1978 and fiscal year 1979.

If we assume further that the average permit takes 2 man-days to process, EPA will need 50,000 man-days, or nearly 150 people to process these applications. The point of this modest calculation is not to exaggerate the hazardous waste program into the largest program at EPA.

My purpose is to emphasize that the statute must be approached with some degree of realism and, unfortunately, that has not been done to date. As member of this subcommittee know, the administration budget provides only 60 people for all 10 EPA regions, for the purpose of controlling waste.

These people must carry out EPA's other responsibilities to provide technical assistance, guidance, and administer grants under the Resource Recovery Act. By way of contrast, EPA had 361 people just to process NPDES permits in fiscal year 1976, at the height of the permitting process.

As the next witness will discuss, even that number of positions was not adequate for their job. Assuming that my previous calculations are overestimating EPA's need, it would not be unreasonable to provide 8 to 10 people per region for the purpose of processing hazardous waste permits alone.

Calculating at roughly $33,000 per man, which is the funding request in the administration budget for EPA's water permit effort, the hazardous waste program would need approximately $2.6 to $3.3 million in order to provide adequate analytical and technical support for the permitting effort.

The major emphasis of RCRA in attacking the problems of nonhazardous municipal waste was providing an incentive to State and local governments to initiate a comprehensive series of activities which at a minimum would result in the closing of open dumps for municipal waste and the creation of a coordinated plan for properly managing such wastes.

EPA's role is to develop guidelines for planning, conduct research and studies on waste management technologies and techniques, provide technical assistance on waste management implementation, and provide limited planning grants.

Much of the congressional emphasis of EPA's role is directed at facilitating resource conservation and recovery by reducing so-called institutional barriers caused by inadequate information and analysis of the recovery technologies and inadequate understanding of financing and contracting requirements and procedures necessary to establish recovery facilities and systems.

The Ford administration, chiefly through OMB, forestalled congressional approval of the major grant program for resource recovery facilities on the basis that the institutional problems were the only impediment and private sector funding was available.

Yet the administration's fiscal year 1978 budget fails to provide EPA adequate resources to meet the demand for assistance in eliminating these barriers. Past experience in the technical assistance program, a basic part of the Resource Recovery Act of 1970, the predecessor legislation, has shown that the Office of Solid Waste could easily use three people in each region solely for this function.

Certainly, the ability of State and local governments to assume their share of the responsibility for implementing this act is partially dependent on EPA's ability to provide them technical expertise.

The RCRA provides grants to State and local governments to help them assume the heavy responsibilities that the RCRA provides for them. Even in the hazardous waste program, the congressional intent

clearly provides that the State should assume as much responsibility as possible.

Authorization of $25 million for fiscal year 1978 is provided for the development of State hazardous waste programs and $30 million is provided in fiscal year 1978 for statewide solid waste management planning.

In addition, $15 million is authorized for local and regional facilities planning and analysis and $25 million for rural communities assistance grants. Currently, the administration budget provides only $12 million for State grants. It is fairly obvious to me that congressional expectations of enthusiastic State and local assumption of responsibilities under the RCRA are doomed if greater resources are not provided. In my view, at least the $25 million for hazardous waste programs and $30 million for statewide planning are fully needed.

Finally, the RCRA provides authority for EPA to conduct a series of very important studies on low-technology resource recovery systems, resource conservation techniques, and key disposal problems such as sewage sludge disposal.

Of particular importance is the Resource Conservation and Recovery Committee. This committee, headed by EPA, has gained recent notoriety because rumors concerning President Carter's environment message allege that he will call for an acceleation of its mission.

The committee is authorized $2 million to study various means of encouraging greater resource conservation and recovery. Proposals in this area have been continuously before the Congress since 1969, yet have received precious little study.

Recently, the Commission on Supplies and Shortages in its final report to the Congress endorsed measures to internalize the cost of disposal in the pricing mechanism as one advance which would help eliminate the shortage problems of 1974 from reoccurring.

We would hope that the Resource and Conservation Committee could examine these important issues, however, currently, the committee has only a $300,000 budget and a staff of six. Clearly these studies and the others provided for in title VIII of the RCRA will not be conducted very well, if at all, under such restraints.

I would like to turn now to a much briefer discussion of the budget for the Office of Toxic Substances. The new Toxic Substances Control Act was passed last year in an effort to provide some assurance that the approximately 1,000 new chemicals per year that are produced will not pose a risk to public health and the environment, once commercially used an disseminated.

The concept is to stop the PCB tragedy from reoccurring. Fortunately, this program has fared better initially than the solid waste program. In the fiscal year 1977 budget and supplemental, the Office of Toxic Substances will be able to staff up to approximately 327 positions. Taking into account the time it takes to find and hire competent personnel, we are pleased that the administration budget took a realistic approach to meeting the program's needs. However, the administration request for 1978 includes no new positions for this program.

Returning for a moment to my earlier comments about the long-run costs of inadequately funded programs, this example may well prove to be the classic illustration of my point. This program can save $20,000

per year in treatment costs for each potential cancer victim it saves from this dreaded disease. Clearly, the benefits from this program will be repaid many times over in disease prevention.

It is interesting to note that EPA's Office of Pesticide Programs contends that it will have an impossible job reviewing 1,400 pesticides within the next 5 years at a 637 personnel level. The Office of Toxic Substances is required by the TSCA to review 30,000 existing chemical substances as well as 1,000 new chemicals per year with half as many personnel.

Although I recognize that the activities of these programs are not completely analogous, an increase of the level provided in 1977, or 280 positions could easily be effectively utilized in the Office of Toxic Substances.

In conclusion, I urge the subcommittee not to allow EPA's sad history of inadequate funding for aggressive environmental mandates to extend to these important new statutes.

Furthermore, Environmental Action fully supports the testimony of the next witness, Ms. Khristine Hall of the Natural Resources Defense Council, and her comments regarding the critical budget need in EPA's water program.

Thank you, Mr. Chairman.

Mr. TRAXLER. Thank you very much for your comments. We appreciate the task before the subcommittee, in determining the level of funding and personnel to comply with the mandates of the Toxic Substances Act, and I am sure we will be taking your views under consideration during markup.

Thank you very much.

Mrs. BOGGS. I would like to add my thanks for your excellent testimony. I enjoyed it very much.

EPA—AIR AND WATER POLLUTION PROGRAMS

WITNESSES

RICHARD E. AYRES AND KHRIS HALL, NATURAL RESOURCES DEFENSE COUNCIL

Mr. TRAXLER. We will now turn to Richard E. Ayres and Khris Hall of the Natural Resources Defense Council.

Mr. AYRES. I will address the air pollution budget, and Ms. Hall will address the water pollution budget for EPA. Each of us has specialized in these areas.

Mr. TRAXLER. Your statements will be made part of the record. Proceed as you wish.

Mr. AYRES. I won't read the whole statement because I don't think it is necessary, but I would like to point out the major points.

First and foremost, I think we should reiterate the burden of some of what you heard earlier today, the changes in the Carter budget which added 600 new positions are only the beginning of making up for past abuses, in our mind. This is an agency which has been undergoing a decline in its real budget for the last 4 or 5 years, and at the same time has been picking up additional responsibilities at a rather rapid rate, so you are now in a position where a lot of people have

been pirated from programs that are expanding in order to try to put a finger in the dam on new programs like toxic substances, so I think, overall, our point is we would like you to consider going beyond the 600 positions that have been recommended.

With respect to air pollution, one of the areas we think is of great importance is financial assistance to the States. What we have had in the last few years is a kind of domino effect which EPA's ability to make grants to the States has declined until it is well below the statutory funding ratio. As a result, the States will look elsewhere for Federal matching money, and State program funds for air pollution have been shining examples.

I think one particularly important example is the State vehicle inspection and the maintenance programs which are absolutely necessary if we are going to get the kind of performance from auto emission standards that we should expect. And yet, up to now EPA has had no funds whatever to match State inspection and maintenance grants. This year they had to fight over whether they would get $10 million or $5 million; both far too small.

Second, and very important to the agency's credibility and to the benefits that we all receive as citizens from what it does, is the funding for health effects research. Time after time the agency has been in a position where it was possible for people to criticize the validity and persuasiveness of its health effects research, often in situations where as more or less professional observers were convinced there was clearly a health benefit to be gained from a regulatory program, yet the agency was not fully able to document its position. I think it is important to realize it never will be able to document some kinds of health effects in a rigorous manner.

Cancer was mentioned earlier. That is a disease that may have a 20-year latency period. I don't think we should be in a position where we, in effect, ask the Agency to wait 20 years until we seen the cancers before we do something. But I do think a lot more could be done and it is important to begin to fund research on sulfates, fine particles, nitrates and so forth.

Third, we think it is important to think about funds that go into pollution control for coal-fired facilities. It looks to us like there will be more emphasis on converting powerplants and boilers to coal in the next few years. That will put a great deal more burden on the health of people, particularly in the Northeast, over to Chicago, unless we find ways of increasing the control on those industries.

We can do that with respect to powerplants. That is the sulfur oxide scrubber.

Mr. TRAXLER. Does it work?

Mr. AYRES. We think it does. We feel there may be better ways to do it, but if we are going to make quick changes than we will go with the sulfur oxide scrubber, while we work toward systems that are more technologically elegant than the scrubber, and perhaps cheaper.

With respect to major fuel burning facilities or industrial boilers, we may have a more difficult problem because the scrubber technology is not so easily applied there. There we are going to need research. We should be working very hard toward the development of fluidized

bed and perhaps other kinds of techniques for combustion that are cleaner, but it is going to take funds to develop those and we should recognize that that has to be done quickly.

In addition, I think we have gotten to the point in EPA's enforcement where we may be at a critical juncture. The Agency's enforcement credibility has been declining as the funds have been. Enforcement, it seems to us, is a peculiarly, cliff-hanging kind of phenomenon. So long as it is effective people comply because they think they will be caught and you don't need to enforce against very many of them. The minute it appears to people that enforcement is not effective, then you get a great jump in noncompliance because people know they won't be caught.

I think EPA is very close to the point where their credibility has reached the proportions of failure. So we need more money for implementing more enforcement.

I think with that I would stop and perhaps either now or after Khris' testimony, entertain some questions.

Mr. TRAXLER. Thank you. We will place your complete statement in the record at this point.

[The complete statement follows:]

STATEMENT OF MR. RICHARD E. AYRES

The most important message we can deliver today is that EPA—despite the addition of 600 new positions by the new administration—remains a grossly understaffed agency for the job it has to do.

In a real sense, the 600 new positions are not new at all, for at best they represent the barest minimum staff for the new laws passed in the last several years—the Safe Drinking Water Act, the Toxic Substances Control Act, the Resource Recovery Act, and the Energy and Environmental Coordination Act. For none of these new laws was ever staffed under the last administration: Instead, 588 professionals were pirated from where they were needed to administer existing laws. Thus at best, this administration has redressed past piracy. It has not provided for responsibilities that have expanded under other laws, such as the Clean Air and Water Pollution Control Acts.

I would like to illustrate my point by looking at the budget for clean air. Time and time again you have heard the cry for cost-effectiveness in this program. Where billions must be spent, this is a legitimate concern. Yet over and over again, as one examines the budget for air pollution control, one sees haggling over—relatively speaking—tiny amounts in programs designed to insure a cost-effective air pollution control program. The budget for clean air this year remains a static one, despite critical new needs.

I. ASSISTANCE FOR THE STATES

Under the Clean Air Act, the States were given vastly increased responsibilities for air pollution control. To encourage them to strengthen air pollution agencies, the Federal Government offered to match—two Federal dollars for every States dollar—many of their program costs. But it has welched on its promise. Last year, the proportions were reversed—one Federal dollar for every two States dollars. To redress this EPA proposed $137 million increase in matching funds, but OMB cut $122 million from this request. We believe that only some of this has been restored.

The lack of Federal funds has had a domino effect. The States, pursuing their budgetary interests, have sought Federal funds where matching ratios are more attractive, and resisted cost-effective air pollution programs where no Federal matching grants were available. EPA has had no matching money for State vehicle inspection programs, which are highly cost-effective. This year it sought a mere $10 million, and received half that only when the new administration came to office. Yet even $10 million is plainly inadequate to provide a meaningful incentive to the States.

II. RESEARCH ON HEALTH AND WELFARE EFFECTS OF POLLUTANTS

We think you should consider major increases in the Agency's budget for research and development, especially in view of the increasing emphasis on greater use of coal—an extremely dirty fuel. This program is responsible for producing accurate and defensible standards. If it is wrong, millions of dollars in control costs may be wasted, or millions incurred in disease and damage to the environment. Yet despite its cost-effectiveness research has been a favorite target for budget-cutting in the last two administrations. As a result, the Agency has been placed in untenable positions—beseiged by both environmentalists and industry with respect to sulfates, for example.

The Agency has already been ordered by the courts to develop a National Air Quality Standard for airborne lead. It must quickly learn more about fine particles, sulfates, and nitrates, all of which will be increased by the new emphasis on coal as a fuel. It may soon be ordered to develop a sulfate standard, and can expect challenges to its oxidant and particulate standards. It needs to know more about acid rain, believed by many to be costing hundreds of millions in crop and forest damage and irreversible changes in the fertility of soils. And it needs to know about the risks of airborne cancer-causing agents. Research in all these areas was severely cut in the Ford budget, and it remains immensely underfunded.

In 6 years, EPA has produced only two dozen new source performance standards, and four standards for hazardous pollutants. Perhaps several hundred major types of sources and thousands of hazardous chemicals remain to be examined.

In the last 2 years, EPA has had to terminate its aid to graduate students training for careers in environmental management, thus destroying the means for future staffing of high caliber. By comparison to the costs of pollution damage, and pollution control, the cost of these programs is miniscule. In this year's budget EPA has had to fight for over $4 million for health effects research. EPA's research program has reached a critical point, where it is no longer able to attract talented people.

It is worth recalling here that last year's conference bill to amend the Clean Air Act contained an authorization of $18 million to establish a National Commission to study EPA's air program. We think it would be far more productive to spend this amount to fund the fundamental research that can improve that program.

III. RESEARCH AND DEVELOPMENT ON POLLUTION CONTROL TECHNOLOGY FOR COAL-FIRED FACILITIES

It now appears that the President's energy program will include a serious commitment to converting utility and industrial boilers to the use of coal. Most of the facilities that are candidates for conversion are located within the Northeast quadrant of the country—east of the Mississippi River and north of Tennessee—where the atmosphere is already overburdened with pollutants that make people sick and cause rainfall so acid that it has already killed most of the native fish in the majority of lakes of the remote Adirondack Parks of New York. Two years ago, a study done for the Federal Power Commission warned that the consequences of allowing emission of sulfur oxides to increase could be a major public health disaster—as many as 25,000 excess deaths between 1975 and 1980, and millions of episodes of unnecessary disease.[1]

If we are to avoid these consequences, we must recognize that controlling the adverse consequences of burning coal is as important a national priority as reducing our dependence on foreign oil. In the first instance, this means we must apply the technology we now have—sulfur oxide scrubbers, electrostatic precipitators, and combustion chamber and firing modifications—to utility boilers that are converted to coal. Second, and most pertinent to this committee, it means we must increase the funds provided EPA for the development and commercialization of new combustion techniques—for example, fluidized bed combustion—which will be applicable to smaller industrial boilers as well as large utility boilers. We urge that you give the most serious consideration to substantially increasing EPA's budget for research on control technology for coal-fired boilers.

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[1] L. D. Chapman, et al., "Electricity Demand: Project Independence and the Clean Air Act," ORNL–NSF–EP–89 (November 1975).

IV. ENFORCEMENT

The air pollution program has now entered the stage of enforcement. The pending amendments to the Clean Air Act recognize this, including several new enforcement authorities. But right now the very credibility of EPA's enforcement is in question, because of past budget cuts. Enforcement is best when it acts least—when the violator complies voluntarily because the risk of being caught is great. If this credibility is lost, the cost of restoring it will be high—much higher than that of retaining it. Put another way, it is far more cost-effective to keep credibility than to rebuild it. Unless considerably more funds are allocated for enforcement very soon, a great deal of what was spent before to establish credibility will be wasted.

V. NEW COST-EFFECTIVE PROGRAMS

As you know, our society is spending several billion dollars a year to curtail exhaust emissions from new cars. Yet our programs to be sure that the emission standards are met by production line cars, and maintained by cars in actual use, are woefully inadequate. Unless these programs are improved, there is a great danger that much of the costs of controls will be wasted.

I have mentioned the grossly inadequate funds for inspection and maintenance, which would have been mandated in last year's conference bill. We can expect that inspection programs will be needed in 50 to 60 cities, yet even this year's budget will offer only $5 million in Federal matching grants. Unless more is available, we can continue to expect the States to resist such programs.

This year EPA has begun a selective enforcement audit of automobiles on the assembly line. It is truly remarkable to me that it has taken this long to begin such an obviously needed program, and even more remarkable that EPA now calls it compliance if only 40 percent of production passes its assembly line test. Last year the administration gave EPA the Hobson's choice of either certification testing or the enforcement audit. Though both are now provided, a small increase in the audit's budget would pay major dividends in air quality.

Likewise, the past administration at first slashed EPA's funds for monitoring compliance with unleaded fuel requirements. Recent FEA actions have widened the difference in price between leaded and unleaded gasoline, thus increasing the incentive for service station operators to sell leaded fuel through their "unleaded" pumps. Unless EPA has a credible threat of catching such violations, many new car catalysts could be poisoned, destroying their usefulness.

VI. REVISIONS OF STATE IMPLEMENTATION PLANS

EPA has recently told more than 40 States they will have to revise their State implementation plans, because they have not been adequate to assure attainment of healthful air quality within the deadlines of the law. These revisions will be far more complex to draw than the original ones, and this time will be added to an already substantial enforcement workload. EPA has asked for 45 positions for this work. It is most unlikely that this figure can be met within the Carter budget.

VII. PROGRAMS MANDATED BY THE PENDING AMENDMENTS TO THE ACT

The pending amendments to the law are certain to further burden both EPA and the States. I have attached a table indicating sections of last year's conference bill that would have required additional manpower from these agencies. As you can see, that bill mandated a number of studies, including the $18 million study by the National Air Quality Commission. Some of them will be quite expensive, and we have suggested that some may not be worth their cost. But while it is likely that additional funding would be provided for the National Commission, should it be created, funds for the other studies will no doubt come from EPA's already overburdened research and air programs budgets.

In addition, the bill would create a number of new programs to administer (some of them already being developed by spreading present staff more thinly), such as regulation of fluorocarbons, developing standards for presently unregulated pollutants, regulating emissions from new heavy duty vehicles and railroad locomotives, and preventing significant deterioration. Last year Congress clearly thought these programs were worth undertaking, and we agree. But if they are to be worthwhile in practice, you must give the Agency and States the resources to administer them.

VII. ADDITIONAL PROPOSALS

In previous testimony before the Subcommittee on Environmental Pollution, we have suggested that you should consider two sorts of financial incentives to accomplish the goals of the act, built on principles similar to the delayed compliance penalty the Senate passed last year.

The first is a penalty for new cars that fail to meet the applicable emission standards. Enacting this proposal could be costless to the Treasury, and might, under some schemes, help repay the Government for the costs of the air pollution control program.

Second, we have proposed that the Federal Government create a matching fund, to be used to match moneys raised by State or local levies designed to discourage vehicle mileage and used to fund public transportation. We have suggested that the proceeds of a delayed compliance penalty on noncomplying new cars might be used to create this fund. It could also come from the Highway Trust Fund, or from general appropriations.

Finally, I would like to propose that you consider requiring polluters to pay part of the costs to Government of the programs that regulate them. A small number of States already have permit programs that require the payment of a permit fee designed to reimburse the State for the costs of its monitoring and enforcement program, and EPA has required smelters to expend money for monitoring and research as a condition of using (temporarily) intermittent control systems. Given that a permit effectively provides free use of a public resource, the air, it seems eminently fair to ask that the user pay at least the relatively small costs of assuring his compliance with such a permit. As I noted previously, monitoring and enforcement programs are both highly cost effective, and desperately in need of increased funding.

All three of these suggestions have the potential for significantly increasing the effectiveness of the air pollution control program, without increasing the Federal budget. We think that should make them attractive in any administration, but especially in one committed to both environmental quality and control of the Federal budget.

Clean Air Amendments—1976 Conference Bill Sections Requiring Additional Manpower and/or Funding

Section and subject	*Primarily Responsible*
103—Area identification	States.
105—Transportation control plan information (analysis of strategies)[1 2]	EPA.
106—Review of standards at 5-year intervals	Do.
108—Revision new source performance standards to best available control technology[2]	Do.
109—Waiver technological innovations	Do.
111—Delayed compliance orders	EPA/States.
112—Delayed compliance penalties	Do.
118—Listing unregulated pollutants[2]	EPA.
119—Health hazard areas[2]	EPA/States.
120—Study indirect Source[1]	EPA.
122—Ozone protection[1]	Do.
123—Preventing significant deterioration[2]	EPA/States.
Standardized modeling	EPA.
124—Transportation control plan extensions[2]	EPA/States.
204—Truck emission controls	EPA.
210—Particulates certification study[1]	Do.
214—Sulfur emissions study (catalytic converters)[1]	Do.
215—Vehicle inspection and maintenance	EPA/States.
216—Railroad locomotive emission standards	EPA.
307—Fine particulate study[1]	Do.
309—Economic impact assessment[1 2]	Do.
325—National Commission on Air Quality[1 2]	Do.

[1] Indicates study.
[2] Indicates substantial budget requirement.

STATEMENT OF MS. HALL

Ms. HALL. I'm an attorney with NRDC's project on clean water, where I have closely monitored the implementation of the Water Act in the EPA and States since 1972. In the course of our efforts to monitor and insure proper implementation of the Water Act, we have become increasingly aware of and frustrated by the negative impact budget decisions have had on the ability of EPA to carry out various programs and provisions of the Water Act as intended by Congress. In past years, EPA has not received nearly adequate funding to carry out its responsibilities to enforce the requirements of the Water Act.

In this light, it is reassuring that President Carter has made the decision not to follow the discredited policies of the past administrations in crippling EPA through the budget process. His decision to restore all the cuts made and to add another 600 employees and several billion dollars to the agency's budget reflects the new administration's concern for environmental quality and protection and a new even-handedness in dealing with EPA.

It is also very commendable that these new resources were given to the agency with very few strings attached, in contrast to past practice which sharply constrained and defined how the agency's resources could be spent. EPA has tentatively assigned most of the 600 new slots.

Despite this increase, EPA is still in an extremely weak position to comply with the explicit responsibilities that Congress has imposed on it. A brief history of restrictive, almost draconian, EPA resource decisions that characterized the last four years demonstrates this fact.

According to Russell Train, the former Administrator of EPA, the agency's staff has barely increased in the past four years, while their statutory responsibilities have increased severalfold, through the addition of new statutes to administer and the maturing of requirements under the Air and Water Acts.

To accommodate these new programs, EPA has had to reprogram their resources. Reprograming meant that some existing program would have to be cut to provide staffing for a new or expanding program. Because of reprogramming, EPA's regulatory programs (as distinct from the construction grants program) under the Water Act has taken substantial and devastating cuts in the past several fiscal years. The result is that EPA has not been able to meet many of its obligations to protect the Nation's waters from pollution.

I have talked about the past to emphasize to you the very weak position the agency finds itself in regarding both funding and staffing. Because of this weak position, it appears that even the new positions and money the Carter administration proposes to add to the fiscal year 1978 budget will not be sufficient to enable the agency to meet its many responsibilities under the Water Act. EPA had asked OMB in the fall of 1976 and again in late January 1977 for over 2,400 new positions. Obviously then, even the addition of 600 new people will leave some responsibilities unfulfilled in light of it.

These budget cuts of the past have particularly weakened the following crucial programs under the Water Act: enforcement, section 208 water quality management and planning, control of toxic water pollutants, section 404 wetlands protection, and the construction

grants program. All of these areas are critical to the Nation's efforts to restore and maintain clean water. All of these areas need additional funding or manpower in order to function adequately.

ENFORCEMENT

The water enforcement program has sustained severe cuts in personnel over the last few years. EPA budget and staffing for the Water Act requirement is less today than it was in 1974, even though responsibilities have increased substantially. In fiscal year 1976 the Office of Water Enforcement suffered a cut of over 200 employees and several million dollars. These positions were never restored and the new Carter budget will add no resources for fiscal 1978.

We feel the Nation's effort to enforce the Water Act's requirements will be severely hampered unless new resources are added to this area.

Fiscal year 1978 is a crucial year for water enforcement for the following reasons: (1) effective and aggressive enforcement action must be taken against violators of the act's July 1, 1977, deadline; (2) many NPDES permits will have run their 5-year term and many second-round permits will have to be issued; (3) the second-round permit requirements will be more sophisticated and complex than the first-round permits, requiring specific limitations on toxic pollutants; and (4) unlike the first-round permits, second-round permits are subject to a statutory economic variance provision, which could generate much more adjudication than occurred in the first round. To meet these obligations and the Water Act's requirements of enforcement against all violators, EPA must have substantially more enforcement and permit personnel than it has now.

EPA's original request to OMB was for an additional 395 positions. We believe that even this figure is inadequate, since it would provide no personnel for the issuance and enforcement of permits for so-called minor discharges. Failure to issue and enforce permits for so-called minor discharges. Failure to issue and enforce permits for all dischargers is an obvious violation of section 309 of the act. Accordingly, we feel at least an additional 450 people over the level in the proposed budget are necessary to insure that the Water Act is properly enforced in fiscal year 1978.

SECTION 208

Because it is the only mechanism provided by the Water Act for the control of nonpoint source pollution, and because of its potential role in water conservation, section 208 is a crucial program. Yet it, too, has been underfunded and understaffed for several years.

Most regional EPA offices have no single full-time staff person responsible for overseeing the implementation of section 208. Many areawide agencies will submit their plans to EPA regional offices for review and approval in fiscal year 1978. Regional offices will have a tremendous workload in fiscal year 1978 and additional staff are necessary to review State plans and to provide assistance regarding institutional, financial, and regulatory methods for implementing section 208 plans.

It now appears that the fiscal year 1978 budget may add a handful of new personnel to the section 208 program; however, this is clearly not adequate. The Agency needs the full 95 positions it originally requested of OMB to give section 208 a chance to work.

The fiscal year 1978 budget would also give EPA a total of $5 million in grant money for 208 agencies. This is an inadequate sum, particularly if the Government's appeal of the National Association of Regional Councils case continues to hold up the release of $137 million in Federal funds.

The $5 million will not cover the pressing needs of the more than 250 State and areawide planning agencies participating in the section 208 program. Furthermore, the $5 million is not really 208 money, since it was given to EPA with the restriction that it be spent only on solid waste management under the Solid Waste Management Act. We believe $150 million is the sum of money needed by the 208 agencies, particularly the State agencies, in fiscal year 1978 to carry out their considerable responsibilities under section 208. This money should be made available to EPA without conditions as to how it should be spent.

TOXIC POLLUTANT CONTROLS

One of EPA's most important responsibilities is the adequate control of toxic water pollutants. Under a recently signed settlement agreement with environmental groups, EPA is obligated to undertake a concerted effort to promulgate sound controls for 65 toxic water pollutants discharged from 21 key industrial categories.

The Ford budget would have substantially reduced EPA's request for funding and manning this effort and insured that EPA would not have been able to move effectively against pollution by toxic materials.

It now appears that as a result of the new money and staffing made available to the Agency, much of what the Agency requested to carry out its toxics effort will be available. This may not be adequate, however, because of expenses unanticipated when the Agency made its requests to OMB.

Costs of collecting data and the necessary information to promulgate sound, defensible limitations for toxic pollutants and of developing methodologies for sampling for the presence of the pollutants are higher than EPA originally anticipated.

In part this is because the Office of Research and Development has not developed methodologies as they should have and in part because contract bids are coming in higher than expected. In addition, delays threatened by OMB to the Agency's efforts to collect data under section 208 of the act may further drive up costs of this exercise. Because of this, the proposed funding for the program is not sufficient and more contract money will be needed if this very important effort is to be carried out and toxic water pollution abated in a timely manner.

SECTION 404

EPA plays a key role in protecting the Nation's irreplaceable wetlands by reviewing permits issued by the Corps of Engineers under section 404. Present staffing and funding levels are low and will not

allow EPA to do a thorough job of reviewing permits the corps proposes to issue. Although the new budget would add a few new slots to EPA's section 404 program, this is clearly not sufficient. More manpower and money are necessary if EPA is to carry out its important responsibilities in this area.

CONSTRUCTION GRANTS

Although we feel that full and adequate funding of EPA's regulatory programs under the Water Act is most important, we also feel that EPA's program to fund the construction of publicly owned treatment works needs additional attention. If EPA is to make grants to publicly owned treatment works efficiently and to make sure that the money is spent only on environmentally sound facilities, more manpower and funding must be allotted to this program. EPA had originally asked OMB for 450 new positions. Under the new budget, they will tentatively receive 100 additional positions. Obviously more positions are necessary to insure that more treatment facilities are built, and built in an environmentally sound manner.

We would like to support the $4.5 billion allocated by the fiscal year 1978 budget for funding the construction of sewage treatment facilities. EPA's level of obligations has steadily increased each year since 1972 and $4.5 billion a year seems to be a supportable figure.

Thank you for this opportunity to present my views and I endorse Mr. Ayres' testimony.

Mr. TRAXLER. Thank you. Over the last couple of years this committee has made available to EPA over 600 new positions. I am not sure how many came on board.

Mrs. BOGGS. I think in earlier testimony, EPA said they would have a difficult time filling the 600 positions before the end of the fiscal year. I was glad to hear you say that they have many of them on board. I agree with you about the policing aspects.

You know, we maintain the 55-mile-an-hour limit so long as someone doesn't tell us a "smokey" is on the road. We really have to think very strongly about enforcement because it looks as though we have too few policemen, and the violations increase. I thank both of you for your excellent testimony.

I was studying here the additions that were made by Congressman Brown's bill, and there are some increases in the area in which you are concerned.

Mr. AYRES. I think if there is one thing we would like to convey, it's the notion that as we have seen EPA in the last few years, it looks a little like the New Haven road did at the beginning of its decline.

As the funds have been insufficient to do the job on a year-by-year basis, the agency has been drawing out of capital by doing things like not funding graduate programs, matching programs of the State and so forth. You can get away with that for a year or two, but then the effects are felt. We are getting to that point. Unless there is an infusion in the way of funds to rebuild the lost capital of the last few years the Agency will be in difficult straits over the next several years.

Mrs. BOGGS. The testimony of our colleague, the gentleman from Texas, Mr. Eckhardt, yesterday about toxic substances suggested an

ounce of prevention is worth a pound of cure. I think that's what everybody has been saying.

Mr. TRAXLER. Thank you very much. We appreciate your testimony.

EPA—NOISE CONTROL

WITNESS

MS. VIVIAN DEMPSEY, ESQ., DIRECTOR, FEDERAL AFFAIRS DIVISION, AMERICAN SPEECH AND HEARING ASSOCIATION

Mr. TRAXLER. We have Ms. Vivian Dempsey, director, Federal Affairs Division, American Speech and Hearing Association. Your statement will be made a part of the record. Please feel free to proceed as you wish.

[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 more than 26,000 speech-language pathologists and audiologists. The speech-language pathology and audiology professions are the primary disciplines concerned with the systems, structures, and functions that make human communication possible. Our members are knowledgeable about the effects of delay, maldevelopment, and disturbance in human communication and with the identification, evaluation, and habilitation of individuals 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 1 year of supervised clinical internship. These standards, along with passing a national examination administered by the Educational Testing Service, are those set by ASHA for the award of the certificate of clinical competence in speech-language pathology or audiology.

Speech-language pathology and audiology practitioners render their professional services in such settings as hospital speech and hearing clinics, freestanding speech-language pathology and audiology clinics, university outpatient clinics, outpatient rehabilitation centers, such as Easter Seal agencies, Veterans' Administration hospitals, Head Start programs, private practice, and private and public schools.

Those receiving the services of speech-language pathologists and audiologists are thousands of Americans, including 10 to 20 percent of the growing number of people 65 and older, who experience bilateral hearing losses of a magnitude sufficient to seriously restrict their understanding of speech. Our members also serve 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. Clients additionally include 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, and speech and language disorders accompanying conditions of hearing loss, cleft palate, cerebral palsy, mental retardation, emotional disturbance, multiple-handicapping conditions, and other sensory-neural impairments.

The most recent Federal Government data puts at 20 million the number of communicatively handicapped Americans.[1] Some 8½ million Americans have "hearing problems of one type or another which are less severe than deafness but which impair communication and hence social efficiency."[2] Americans plagued by central communication disorders, for example, impairments of speech and language resulting from stroke or mental retardation, were estimated at 2.1 million and those with speech disorders at an astonishing 10 million.[3]

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[1] Report of the Subcommittee on Human Communication and Its Disorders, National Advisory Neurological Diseases and Stroke Council (NIH), "Human Communication and Its Disorders—An Overview," Bethesda, Md. (1969).

[2] Ibid., p. 13.

[3] Ibid., pp. 16–17.

In protecting the interests of those we serve, we have viewed with interest the growing Federal concern in elimination of health problems, primarily hearing impairment, due to noise exposure. The American Speech and Hearing Association is the only national health association which endorsed and actively supported the enactment of the Environmental Noise Control Act of 1972. As technology continually escalates, so does the level of noise exposure to which the American worker is exposed, and as the age of the average American advances, hearing loss and other health problems from noise become an increasing problem. This association wishes to reiterate its concern for Federal involvement to eliminate hazardous levels of noise.

ENVIRONMENTAL PROTECTION AGENCY (EPA)

The Noise Control Act of 1972, section 3, requires the Administrator of the Environmental Protection Agency to "publish information on the levels of environmentals noise, the attainment and maintenance of which in defined areas under various conditions are requisite to protect the public health and welfare with an adequate margin of safety." This goal requires that exposures to noise be limited in such a way that normal hearing does not become impaired. It also requires investigation and standard-setting of the nonauditory effect of noise. EPA is charged with establishing good damage-risk criteria that are based on the relation of hearing loss and other physical effects to noise exposure. These criteria must be based on hard data.

In order that EPA fulfill its responsibility of standard setting and enforcement with respect to noise as an environmental health hazard, a great deal more research on the biophysiologic effects—both auditory and nonauditory—must be done. There is a need for longitudinal studies so that there can be a basis for comparison in developing realistic, effective, and enforceable noise criteria. Research in this area will not be meaningful unless it is conducted over a number of years because of the necessity to test criteria and to compare biophysiologic effects under precriteria and postcriteria conditions.

Noise effects fall into two overlapping categories: consciously perceived and insidious. Consciously perceived effects are those recognized by the hearer and are subjectively irritating. They produce such effects as interference with thought processes, communication disruption, performance impairment, sleep disturbance, and general mental stress. Physically, there is little adaptation by the human body to noise, especially to intense noise. Most adaptation is mental. The body gives off certain warning signals when exposure to noise threatens to injure hearing. Such warnings include a ringing in the ears. To date, most research has centered on the phenomenon of temporary threshold shift. This occurs when there is a brief exposure to damaging levels of noise. There ensues a temporary loss of hearing which is restored at some later point. Much of the research on auditory effects of noise centers on testing when and for how long the temporary threshold shift occurs. It is hypothesized that the factors involved in temporary threshold shift are the same—with the exception of the length of exposure to noise—as with permanent threshold shift.

But noise is an insidious form of pollution. There is the office equipment which interferes with thought processes; there is the construction equipment outside one's window which disrupts communication; there is the continual, intrusive sound of aircraft which impairs one's work performance; there are the traffic and pleasure vehicle noises which disturb sleep. Noise has become our general ambience, causing a continuous mental stress.

Noise is capable of acting as a physiological stress, by contributing to the onset of injury or disease. The term "stress" implies a change in conditions affecting an organism which requires effort to maintain essential functions at a desired level. Because a load (such as noise) is placed upon the organism, the organism must modify its behavior to continue operating. This involves adaptation or a compensatory response which enables the organism to function despite the load. The compensatory or adaptive response to a noise stress can cause significant physiological changes that on occasion lead to human dysfunction. Adaptive techniques, though necessary to maintain body functioning, are often warnings that a more serious respose may ensue. It is the body's way of saying that if the noise level is continued, permanent hearing loss could result. The body's warning signals include a variety of hormonal and neurological mechanisms. The auditory effect of noise may elicit feelings of annoyance or anger which ,in turn,

cause activation of the autonomic system responses that are possibly sufficiently physiologically stressful in some persons when continued to cause or contribute to ill health.

These problems include digestive, respiratory, urological, glandular, and cardiovascular disorders—all suggestive of possible autonomic system stress effects. Noise may be a factor among such diseases as peptic ulcer and hypertension and is implicated in colitis, high blood pressure, migraine headaches ,and nervous disorders.

It is generally thought that the circulatory system is more significantly affected by noise than any of the other life systems. Peripheral vasoconstriction, which narrows the terminal, very muscular arteries (arterioles) is a well-documented circulatory response to noise. If vasoconstriction is sustained, the decreased blood volume reduces the available oxygen vital to human activity. Under this condition, noise-induced fatigue may ensue. Some European research indicates the existence of a chain reaction in this situation, when tension accompanies a lower blood volume further health impairment follows. This may adversely influence glandular activity and metabolic functioning. The constricted blood vessels could also lead, a Soviet study finds, to a loss of circulation to the brain and hence a decrease in the oxygen level to cerebral tissue. Unfortunately, there has been no American research to substantiate these findings.[4]

Not surprisingly, research conducted in England has found that noise interferes with digestive functioning, particularly when the noise is sudden and unexpected. Sudden noise produces a marked sympathetic nervous system response, resulting in a decrease in bowel activity, saliva flow and digestive juices. Heartbeat is often slowed, respiratory functions such as breathing may quicken and a higher galvanic skin response usually appears. Sudden noise—brief exposures to high levels of noise—can be accommodated physiologically by adrenalin. It is important to know that any of these responses to noise can, over the long run, lead to irreversible ill health effects. Researchers must look both for hearing loss and for those adapative techniques which, effectively, pass along the ill effects of high levels of noise to another bodily system.

Apparently, the ability to adapt to noise differs for persons asleep rather than awake. The little work done to date suggests that there is a lower threshold level during periods of sleep. In other words, noise is more physiologically disruptive while one is sleeping. As indicated earlier, most adaptation to noise is mental. Although noise may be damaging to one's physical health, the individual makes the necessary mental adjustment. This type of adjustment is common when sleep is desired, even though physiologically the quality, duration, depth, and continuity of sleep are all affected. Noise intrusion during sleep can affect the rejuvenative value of sleep. It is believed that the most essential phase of sleep for this phenomenon is the dream stage. This stage is characterized by rapid eye movements (REM). REM occurs five or six times nightly and accounts for 20 to 25 percent of adults' sleep time. A generalized excitable state may develop if REM sleep is disturbed.

In experiments depriving humans of this sleep phase, psychological changes were observed that suggested more serious disturbances were impending. Sleep deprivation experiments have shown that animals become excessively hungry, eat abnormal amounts of food, and are continually restless, besides being sexually hyperactive. Originally, it was believed that total REM sleep loss was required to induce abnormal behavior. However, acute psychotic breakdown may result from the cumulative effects of a long partial deprivation of REM sleep. Other behavioral effects caused by REM deprivation require further explanation.

Limited research has been undertaken to assess specifically the role of noise in affecting the sleep state. It is known that all phases including REM sleep, can be disrupted by noise. This type of disruption characterizes the insidiousness of noise, for according to one researcher,[5] electronencephalographic (brain wave) patterns of sleeping subjects could be radically altered by sound without the subject waking. Also, the noise level necessary for disruption may be relatively low. Experiments undertaken in Canada have led to the conclusion that a person's sleep level is altered when he is exposed to vehicle noise as low as 55 dBA.

What we have now is only the grossest concept that a lot of loud noise is damaging. In order for EPA to effectively fulfill its congressional mandate in this regard, more research into the biophysiologic effects of noise, noise-induced sleep

[4] "Noise Pollution : the unquiet crisis." Clifford R. Bragdon (1970), p. 71.
[5] Ibid. at 94–96.

disturbance and the social consequences of noise pollution is necessary. Therefore, we recommend an increase in EPA's budget of $2 million to accommodate research in the area of auditory and non-auditory effects of noise. In order to maximize the usefulness of this research, we recommend maintaining this funding level for at least 5 years, so that long-term research projects can be accommodated. We also recommend that Congress increase the staffing level of the Office of Noise Abatement and Control by four to five positions so as to effectively manage the contracts to develop criteria from the research.

Section 4 of the Noise Control Act of 1972 (Public Law 92–57[4]) requires EPA to coordinate all Federal noise research and central programs. This is not only to assure that each Federal agency develop fully noise abatement policies and programs, but also to coordinate these programs. To date, 38 Federal agencies are now involved in noise research and/or standard setting. The EFB has organized four interagency noise research panels to coordinate research about aircraft noise, surface vehicle noise, machinery noise, and noise effects.

A recent publication, "EPA Noise Control Program: Progress to Date" (May 1976) contains listings of recent Federal noise research by the various agencies involved. A scanning of these published reports indicates that noise research is a wide-ranging and active field. It also reveals that there is considerable overlapping in the concerns of the various 38 Federal agencies. In 1973, a national symposium on the state of the art was held in Dubrovnik, Yugoslavia, after which the proceedings were published.[6] It has been 5 years since there has been an opportunity for comprehensive information sharing in this very active field. The dollar savings alone in duplicative research would justify the small amount needed to run such a national conference. The published record of the symposium would also serve another important goal of EPA: increasing awareness of the public about the effects of exposure to noise. We recommend that Congress fund EPA $40,000 to hold and publish the proceedings of a national symposium on noise effects.

One of the stumbling blocks in EPA's efforts toward a national consciousness of noise pollution and toward the instituting of community noise standards, has been the lack of awareness of the general public of the adverse effects of noise on their daily lives. We believe that this is largely an educational problem. While publication of the symposium's proceedings discussed above would be helpful, we believe that it is necessary for EPA to institute effective outreach into the communities. We therefore recommend that EPA be funded to extend its use of regional workshops to promote its model community ordinance for noise in each of its Federal regions, inviting Federal regional officials, community members, health professionals, legislators, and industry leaders. EPA has successfully used this device for training State and local officials in subjects ranging from base courses in sound to technical courses such as field measurement practices. As EPA increases the base of scientific knowledge regarding the effects of noise, these regional workshops provide an inexpensive vehicle for getting the information to the general public so that communities with noise ordinances become the rule rather than the exception. We recommend an increase in EPA's budget of $1 million and three staff positions to conduct regional workshops on the effects of noise.

Ms. DEMPSEY. I want to highlight a few parts of the statement. Getting away from the water and air pollution, I would like to spend a moment talking about noise pollution, sort of a stepchild of EPA, I am afraid.

This is an insidious form of pollution. The office equipment which interferes with thought processes, the telephone interrupting the testimony before this subcommittee, the construction equipment outside of one's window which disrupts communication.

There is continual intrusion of noise of aircraft which impairs one's work performance. As a Washington resident, I am sure that must affect you as it does all of us.

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[6] Proceedings of the International Congress on "Noise as a Public Health Problem," Dubrovnik, Yugoslavia, May 13–18.

There are vehicles which intrude on our sleep. Noise has become our general ambience, causing continual mental stress.

We are all aware that noise of sufficient quantities for sufficients amounts of time can cause hearing impairments, but we are just becoming aware that noise may also be a factor in such diseases as peptic ulcers, hypertension, colitis, high blood pressure, migraine headaches, and nervous disorders.

Apparently the ability of a person to adapt to a noisy environment during sleep is lessened. The little work done to date suggests there is a lower threshold level during sleep.

In other words, noise is more physiologically disruptive when one is asleep. In the 20 to 25 percent of the time when someone is dreaming, there are rapid eye movements. The disruption of sleep can result over an extended period of time in a severe psychological problem.

What we have now is only the grossest concept in this regard, that a lot of loud noise is damaging. In order for EPA to effectively fulfill its congressional mandate in this regard, more research into the biophysiologic effects of noise, noise-induced sleep disturbance and the social consequences of noise pollution is necessary.

Therefore, we recommend an increase in EPA's budget of $2 million to accommodate research in the area of auditory and nonauditory effects of noise. In order to maximize the usefulness of this research, we recommend maintaining this funding level for at least 5 years, so that long-term research projects can be accommodated.

We also recommend that Congress increase the staffing level of the Office of Noise Abatement by four to five positions so as to effectively manage the contracts to develop criteria from the research.

A recent publication, EPA Noise Control Program: Progress to date—May 1976—contains listings of recent Federal noise research by the various agencies involved, 38 of them, I believe, and reveals there is a considerable among of overlapping.

In 1973, a national symposium on the state of the art was held in Dubrovnik, Yugoslavia, after which the proceedings were published. It has been 5 years since there has been an opportunity for comprehensive information sharing in this very active field.

The dollar savings alone in duplicative research would justify the small amount needed to run such a national conference. The published record of the symposium would also serve another important goal of EPA: Increasing the awareness of the public about the effects of exposure to noise.

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One of the stumbling blocks in EPA's efforts toward a national consciousness of noise pollution and toward the instituting of community noise standards, has been the lack of awareness of the general public of the adverse effects of noise on their daily lives.

We believe that this is largely an educational problem. While publication of the symposium's proceedings above would be helpful, we believe that it is necessary for EPA to institute effective outreach into the communities.

We therefore recommend that EPA be funded to extend its use of regional workshops to promote its Model Community Ordinance for

Noise in each of its Federal regions, inviting Federal regional officials, community members, health professionals, legislators and industry leaders.

EPA has successfully used this device for training State and local officials in subjects ranging from base courses in sound to technical courses such as field measurement practices. As EPA increases the base of scientific knowledge regarding the effects of noise, these regional workshops provide an inexpensive vehicle for getting the information to the general public so that communities with noise ordinances become the rule rather than the exception. We recommend an increase in EPA's budget of $1 million and three staff positions to conduct regional workshops on the effects of noise.

Mr. TRAXLER. Thank you. If a community has a noise ordinance, how is it enforced? If for instance, a citizen takes the muffler off his car, how does a law enforcement agent bring that case into court? What is the proof? How do you establish this?

Ms. DEMPSEY. The only effective way is source controls. EPA is just in the early regulation writing stages of source documents.

Mr. TRAXLER. I suppose you can do it in industrial and business settings, office, factory and so forth. I was wondering about our street noise and traffic, the problems that we have, particularly with the kinds of people that enjoy noise, to the irritation of the rest of us.

Ms. DEMPSEY. The Office of Noise Abatement Control is addressing heavy truck noise and will enter the other field on vehicles in the near future.

Mr. TRAXLER. I was wondering what we could do about the youth that rides his Honda without mufflers.

Ms. DEMPSEY. We have large rocks in our driveway that prevents him from coming in.

Mrs. BOGGS. This generation of youngsters really seems to be able to tolerate an extremely high noise level.

Ms. DEMPSEY. That is one of the reasons we are bringing it up now. Hearing loss is going to become a greater loss in the society, both with the increasing age of the average American and the exposure to higher and higher noise levels, primarily due to the taste in music.

Mrs. BOGGS. I happen to live on Bourbon Street, and there are ordinances in the Veaux Carre section of the city that no loudspeakers are allowed outside of buildings. That is very easily remedied because the weather is usually clement enough to have the doors open, so they simply put them on the very edge of the door.

I asked why this was done with jazz, because jazz has a sound of its own, that is really not enhanced by the loudness, and they said, well, the street is a pedestrian mall at night, it attracts young people.

Unless they have these loudspeakers where the young people could hear in this great intensity, that they were not attracted to the jazz at all.

Ms. DEMPSEY. I am told by EPA officials that recorded music does not have that effect on hearing because the peaks are cut off, the amplification equipment is not true enough for the peaks. That is a small comfort.

Mrs. BOGGS. I was perusing this interdisciplinary section of public sector activities. I don't see noise specifically mentioned, but it would

seem to me that it would have to fall within this section, because how could you have, you know, several miles of noise ordinances and have the next community or the next few miles without them and still have an effective control?

Ms. DEMPSEY.. I think that is primarily a question of public education, before the community noise ordinance is fully enforced throughout the country.

Mr. TRAXLER. Do we know as a matter of fact what the effects of hard rock are on young people listening hour after hour, day after day, with a decibel range that exceeds all reason? Can't we indeed say to that music lover, "You, like the cigarette smoker, are courting severe physical problems?"

Ms. DEMPSEY. I believe so. All you really need is the decibel level for the period of time given the peaks. I am afraid my training is in law, not in audiology.

Mr. TRAXLER. You had a fairly technical statement, and I am surprised you tell me you are in law.

Ms. DEMPSEY. I talked to a lot of people before I came.

Mr. TRAXLER. Thank you for your testimony.

EPA-TOXIC SUBSTANCES CONTROL ACT

WITNESS

SHELDON SAMUELS, DIRECTOR, HEALTH, SAFETY, AND ENVIRONMENTAL, INDUSTRIAL UNION DEPARTMENT, AFL–CIO

Mr. TRAXLER. We want to welcome Mr. Sheldon Samuels, director of health, safety, and envirnoment, Industrial Union Department, AFL–CIO.

Mr. SAMUELS. Thank you. This is my first time before this subcommittee of the Appropriations Committee.

I am not only delighted to be here, but I had an opportunity to hear a lot of testimony, a lot of which I agree with and want to associate myself with, particularly, the last speaker.

I was happy to let her tell you about the importance of that program in EPA.

Mr. TRAXLER. Your statement will be made part of the record, Mr. Samuels.

Mr. SAMUELS. I am going to focus on that portion of the EPA budget that relates to the implementation of the Toxic Substances Control Act. A key social problem relevant to dealing with hazardous substances is how to deal with the element of time in applying existing data. Even our most highly trained scientific personnel often are unaware of related research and have difficulty understanding how research findings can be translated into program methods and procedures.

This is reflected in Government regulatory programs. The kepone and leptophos tragedies are in great part explained by the failure or delay in one agency transmitting information to other agencies.

The essential problems are created by a lack of effective organization, not essentially a lack of scientific information. The instruments

of information dissemination and governmental application generally in use today were inadequate a generation ago. We have the technological capability for the immediate collection, transmission, and application of information. Potentially, we have the administrative capability of coordinating the development and use of this kind of system.

It is very important, however, that there be no confusion between what we are discussing and a glorified library system operated by still another superagency.

For example, what is raw data for a scientific investigator, to be further analyzed before incorporation in a finished study, may be grounds for action by a Government administrator.

Nor are we suggesting simply more data studies as are already required by the Clean Air Act and the Occupational Safety and Health Act.

Rather, we need the identification and application of critical data already known to us, adequate for emergency, interim use.

In regard to the proposal, we recommend consideration for strong report language for the section on health and environmental data. In addition to a study performed under the powers granted the Council on Environmental Quality, EPA should design a system of data retrieval reaching into ongoing research conducted or sponsored by any private or Government agency. The system should include a method of transmitting information on hazardous substances even before the studies for which the data was collected are completed or published. Research grants and contracts should be made with the condition that current information be made available to the Government on a continuing basis.

The Government, in turn, should make this information available to all of its research and regulatory agencies, and easily available to researchers in the private sector.

After a scientist completes his study and submits it to a journal for publication, there is often the lapse of a year or more. As a matter of fact, if you take into account the time it takes him to tailor his work to the particular editorial needs of a journal, finding a place to publish the material, it may be that data which was actually gathered in 1977 is published in 1982. Five years lapse of time is not at all unusual.

We need a system whereby summaries of critical information are made available as soon as the scientist completes his study in some sort of an abstract form sent to a central place where the information can then be disseminated through all of the new and really very efficient technological methods that we have.

We feel very strongly that it is not enough to simply pass on information gathered under this act to other agencies. Nor is simple consultation and coordination sufficient. The fact is that the Administrator has the responsibility to gather information on the nature and impact of toxic substances when they are created, produced, distributed, and disposed.

He must transmit this data to other agencies whose functions he does not duplicate along with guidelines recommended by his staff to insure that the standards and regulations of all agencies dealing with toxic substances are consistent with the scientific facts.

In addition, EPA should have the responsibility for the operation of a central repository for the information gathered, something which does not exist and is rather critical if we are to control toxic substances.

While the Toxic Substance Act requires EPA to create part of a system, and while OSHA is planning a part of a system, these and other agencies have demonstrated their reluctance to fully develop in-house and interagency systems able to cope with the tremendous flow of information entering scores of data banks throughout the Federal and State Governments. Without an adequate national system, we will never be able to reduce the risk to exposure of the millions of men, women, and children threatened in our country.

The executive branch has the capability, but not the will, to create such a system. Indeed, it has been the subject of a number of past studies. The best of these known to me—a 1969 Battelle study—was conducted by the predecessor to EPA, the Environmental Health Service. Only one agency has moved successfully to create a system available to all agencies and the private sector.

The Toxline, partially funded by NIEHS and administered by the Library of Medicine, now costs $100,000 yearly. This system needs enlargement to become available for standards development and to compliance officers from OSHA, FDA, EPA, Agriculture and State and county agencies. It is an essential tool in this area.

I know that it is apparent to you that I am unusually concentrating on a relatively small portion of the $24 million requested by EPA for implementation of the Toxic Substances Control Act.

The reason is that this portion of the act is the most critical. This was our position when we first testified on the act in 1971. The direction which the Agency is taking in implementation of this portion of the act disturbs us.

Without adding a single person to their staff or a single dollar, or even a single enforcement action, EPA is in a position to take a major step in stemming the tide of carcinogens, teratogens, mutagens freely marketed in our society.

That step is simply this: instead of wasting millions—they are planning a $5 million expenditure—on commercial contractors who will function essentially in a vacuum, EPA—in conjunction with CEQ planners—should transfer funds to the Library of Medicine and the HEW Coordinating Committee on Toxicology for a collaborative effort in creating an integrated system of data storage, retrieval, and dissemination. The National Bureau of Standards, OSHA, NIOSH, ERDA, and other agencies should be required to cooperate in this endeavor, and may I say parenthetically, this is the legislative intent of the Toxic Substances Act. But I haven't seen any action along these lines at all.

We support the request for $24 million and 325 positions. We recognize that the use of contractors in many areas of this program may be a necessary evil.

The planned use of academic contractors in general may not fall within this category. But the planned use of commercial contractors in general and in this case, when other agencies of Government with pertinent skills are available, makes little sense.

It will produce nothing less than further, unnecessary delay in the control of toxic substances.

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Mr. TRAXLER. Well, that's a stimulating and interesting thought, that it doesn't cost very much. We are grateful for that recommendation.

Mr. SAMUELS. As a matter of fact, Congressman, if you look at the cost in money and shoddy products of managing a contract transaction—unfortunately, the Environmental Protection Agency, like most agencies in the past 8 years, has learned to hire contract managers and not scientists—you will find that usually by getting the Government to do the work itself as a team, we can cut the costs of accomplishing what these contracts would have been used for by 40 to 50 percent.

As a taxpayer and someone who has worked in this area for a long time, who knows the dearth of funds available for really important purposes, it really hurts me to see these funds misused.

Mr. TRAXLER. Have there been any conversations with any of the new people at EPA about this direction.

Mr. SAMUELS. I spoke with Kenneth Johnson, who is the acting assistant administrator for toxic substances. He didn't tell me the agency endorsed what I was going to say.

But neither did he try to discourage me. I think that was really a positive note. I might tell you that I have been playing this drum for a long time. It's a very difficult think to sell, if I can use that word, because information systems are not sexy. They don't make the newspapers and no one gets a lot of credit for making sure the things happen, but if you were in the middle of the Kepone episode and other episodes which I unfortunately have been in the middle of in the past years, you will understand why this need is so critical.

Mr. TRAXLER. Do you add people to the payroll in ever expanding numbers, thus increasing one's budget; do they?

Mr. SAMUELS. Not necessarily.

Mr. TRAXLER. That's probably part of the reluctance, then.

Mr. SAMUELS. This may indeed be part of the reluctance. Part of the problem is priority. I remember years ago when I was in the Environmental Protection Agency. Mr. Ruckelshaus stopped me in the hall one day and asked me where the library for EPA was. I thought for a moment and said: "Well, the only thing I can recognize as a library for EPA is in Metuchen, N.J." He said, "What is it doing there?" I said "It's there because that was the warehouse where GSA had some space."

Mrs. BOGGS. Mr. Samuels, this proposal for a data bank that can be easily disseminated, that won't cost anything, may have more sex appeal than you think it does. For instance, at another subcommittee meeting which I attended, we were told ERDA, in conjunction with HUD, had pooled data systems on energy saving devices and buildings and homes and on programs that were being designed to further implement these savings, and perhaps also, alternative sources of energy.

This information is being disseminated in Rockville and they get over 2,000 requests for information a week from the public and private sector and from individuals.

I think this type of a data system that can be easily disseminated where information comes on line as it is developed by the experts, would be very encouraging to people and maybe would be very well used.

Mr. SAMUELS. I think it will be. As you know, for one thing, the resistance to the Toxic Substances Act came from many small chemical manufacturers, compounders, and so forth. Their information problems are real.

The Government so far as I know has not done anything to create a system which would enable a researcher in a small chemical firm to pick up the phone and say, look, I'm dealing with chemical XYZ, what data do we have?

If he gets a responsive person at the other end of the phone, he may be given seven or eight other people to talk to. In reality, what he should be able to do is to go to a State health department or in a large city, a county health department, and plug in and ask his question of the computer and get a readout.

We know how to do those things. But we don't apply them. To those of us who work in this field, this becomes a very disturbing thing.

Mr. TRAXLER. How is EPA going to catalog the 30,000 existing chemical compounds? Are they going to do it on a card index file?

Mr. SAMUELS. No. They are not planning to do that. They are working with the chemical abstract system. They will get things on computers; but in 1969, when the predecessor to EPA, Environmental Health Services did a study, they found there were a lot of things going into computers, computers that couldn't talk to each other. They didn't even use the same format, they were very jealous of what they called their data bank.

When we investigated in that agency what they meant by data banks, we found that sometimes it was a card file in someone's desk in there he kept little notations in hand writing so as not to let the other guy know. Kepone is a beautiful example of that.

When Congressman Dominick Daniels was in Congress, he asked me to go to the kepone hearing in Hopewell and listen to the testimony. Later I was asked my opinion as to what really happened in that case. I think I know what happened. In the late 1960's a set of slides was sent by Allied Chemical to a pathologist in the National Cancer Institute. He read the slides. He said they were cancerous tissues. He gave the information back to the company. The company included that verdict in a portfolio which they gave to the Government pesticides people.

Nothing was ever done with the portfolio and the pathologist never transmitted this information or spoke to the man almost in the very next room. The scientist in the next room was designing a study to bioassay kepone. That's how NCI did a study even though it was a replicate of data that already existed. The study need not have been done, years need not have been wasted, the information that was eventually released by NCI was there. That's why I get excited by information systems.

It's been a losing battle. I hope your committee will put something in the report that will tell the various agencies that information is not a private affair.

Mr. TRAXLER. One of our problems is that we have jurisdictions over only EPA, of all those agencies that you have mentioned.

Mr. SAMUELS. Let me explain why I am appearing here. The Toxic Substance Act creates of EPA a grand coordinator of this kind of information. They have created, as the act calls for, a coordinating committee of other agencies to work with them, so that the EPA is in a position of creating a central national system.

We fought for that in the bill. We wanted that in the bill. We got it in the bill. It is there. EPA has the mandate to do this. The other agencies, some of them want to cooperate; others don't. But certainly on EPA's side, there ought to be an effort to fulfill their mandate of coordinator.

In the meantime, I might tell you we are going to the other appropriation committees. Last year we went to the Senate 's House Education, and Welfare Committee. We asked for this and it was in the report, and——

Mr. TRAXLER. Can you see that we get a copy of that language?

Mr. SAMUELS. Yes; I will be happy to do that.

Mr. TRAXLER. Obviously, there is some reluctance here. Is it a fear that there will be some trade secrets exposed with this kind of data bank that could be open? Is there some fear on the part of the industry of this happening?

Mr. SAMUELS. Trade secrets are protected in the act. I know we will not have access to things that are really trade secrets. We have to depend on the Agency to find out what really is a trade secret and what isn't.

What I am asking for is information on materials that are in the open literature or for which there isn't really a secret. A good example of that: Most housewives, including my wife, are exposed to all kinds of rug cleaners. They come under seven or eight major different trade names. Almost all of them are made with trichloroethylene, which is a carcinogen. And I think it's important, from an enforcement point of view, that the agencies know what the trade names are of chemicals by generic name and what the toxic effects of these chemicals are. You just can't depend on the Agency to voluntarily store this information.

I will give you another example. I participate in the National Cancer Institute's Clearinghouse on Carcinogens. Two weeks ago we looked at the data from tetrachloroethylene, which is a primary means of cleaning clothing. Most cleaning machines use it. We looked at the data and said that this chemical is a possible risk to man for carcinogens. Then I waited for about 2 weeks to see how many agencies got the information that was developed on that day in NCI. To date, among the agencies I have checked with, none have received any kind of formal information at all. This stuff is all over this country.

Now, I am not talking about instant bans or stringent controls or standards; all I am saying is, the assessment by the regulatory agencies should begin. I am not saying there aren't people in the regulatory agencies that don't know what we did at NCI, but I am saying the way in which they find out, by the grapevine, is not adequate in this century.

Mr. TRAXLER. It's duplicative, costly, and inefficient.

Mrs. BOGGS. And hazardous to your health, too.

Mr. TRAXLER. Thank you. We appreciate that. We will look for that communication.

NASA-LUNAR POLAR ORBITER

WITNESS

DR. FAROUK EL-BAZ, RESEARCH DIRECTOR, CENTER FOR EARTH AND PLANETARY STUDIES, NATIONAL AIR AND SPACE MUSEUM, SMITHSONIAN INSTITUTION

Mr. TRAXLER. We now have Farouk El-Baz, Research Director, Center for Earth and Planetary Studies, National Air and Space Museum. Welcome.

Your statement will be made a part of the record. Please talk to us about it.

Dr. EL-BAZ. I am very pleased to have this opportunity to speak to you in favor of the proposed mission to the Moon, the Lunar Polar Orbiter. This mission is designed to answer many of the remaining scientific questions about the Moon, and provide a global view of our nearest neighbor in the sky.

Our knowledge of the lunar surface and its materials was increased manyfold by the Apollo missions to the Moon. Samples returned by the astronauts from six landing sites are still being analyzed, by many scientific groups in the United States and abroad, to reconstruct the history of their formation. However, the Apollo mission tracks were restricted to an equatorial zone, 26 degrees north and south of the equator. This was necessitated by trajectories that allowed the safe landing and return of the astronauts. Consequently, areas that were mapped by the Apollo orbital sensors include less than 20 percent of the lunar surface.

From data gathered during the Apollo years—1969–72—we are now able to specify the gaps in our knowledge and the best ways and means of filling them. Pre-Apollo orbital spacecraft and Apollo orbital experiments have surprised us with sometimes unexpected results. Two particular examples are the extreme variations of the lunar gravitational field, discovered only after a review of tracking data for the Lunar Orbiter spacecraft in polar orbit; and the existence of a very weak magnetic field. These and many other scientific findings in the mid-latitude regions of the Moon have allowed us to speculate on the composition and physical properties far from the equator. The available data, however, do not provide the means for testing these hypotheses. What the lunar scientific community requires is a better understanding of areas outside the Apollo coverage. This will allow the extrapolation of knowledge gained by the Apollo missions to the whole Moon.

The Lunar Polar Orbiter will provide the required data. It will take an interdisciplinary approach to gathering information on the entire lunar surface. Sensors aboard this mission will transmit multispectral, stereo images to map interesting regions, and distinguish rock composition including the conception of titanium and iron. Geochemical sensors will map the ratios of major elements such as aluminum, silicon and magnesium; the concentration of radioactive elements such as thorium, uranium, and potassium; and the mineralogical species of the lunar rocks. In addition, geophysical experiments will map the

shape and gravity field of the Moon, while other sensors will collect data on the lunar magnetic field, internal heat flow, and thermal emission.

Gathering data in these ways can be considered a resource survey. In this context the Lunar Polar Orbiter is to the Moon what Landsat is to the Earth. This becomes important if we consider the possibility of utilizing lunar materials in future space endeavors, for example if a solar energy station is to be erected in space. The Lunar Polar Orbiter will allow resource evaluation of the lunar materials. These resources may include metals that can be extracted from the lunar soil such as titanium, and even water that may be frozen as ice in the permanently shadowed polar regions.

The Lunar Polar Orbiter can also be looked at as a precursor to future missions to the inner solar system, particularly Mars and Mercury. The mission will utilize a spacecraft that can be modified to fit the needs of planetary exploration. In this respect, additional lunar data will augment our knowledge of all the terrestrial planets and provide a basis for comparative planetology.

It is important to note that the Lunar Polar Orbiter is a feasible mission that has been fully studied and is nearly ready to fly. It will cost relatively little as compared to other planetary exploration missions.

I personally may be partial to the continued exploration of the Moon. I have devoted many years of my career to study, and some of my research programs are funded by NASA. However, I can say in all honesty that potential gains from the Lunar Polar Orbiter far outweigh its cost. The mission has been supported by all scientists engaged in lunar research, and endorsed by the international scientific community.

Thank you very much.

Mr. TRAXLER. Unfortunately, it didn't get endorsed by OMB. It wasn't included in the NASA request, and NASA made no request of this committee for funding of that project. While they endorse the theory it wasn't among their requests of this committee.

We appreciate your bringing to the committee your views on its importance and your hope that it will be funded. I do not know what the sentiment of the committee in that regard will be. But we will discuss it and we appreciate your coming here today.

Mrs. Boggs?

Mrs. BOGGS. It is so nice to have you with us. We have asked other persons appearing before us on space projects if the project would be harmed significantly if it were delayed for a year.

Dr. EL-BAZ. Only in matters of the final price tag on it. I don't really think from the scientific point of view it would be very harmful to delay it 1 year.

As I said, some of the information is still being studied, so a continued exploration of the Moon can wait for another year. The only thing against that, if the mission is delayed for another year the total price would naturally be increased with inflation and the continued spending. This would be the only bad aspect for delay.

Mrs. BOGGS. As a new regent of the Smithsonian, I welcome you, and I am very proud of your museum.

Mr. TRAXLER. Yes. Thank you.

NSF SCIENCE EDUCATION PROGRAMS

WITNESS

DR. THOMAS E. WENZLAU, PRESIDENT, OHIO WESLEYAN UNIVERSITY, ON BEHALF OF THE ASSOCIATE COLLEGES OF THE MIDWEST, THE GREAT LAKES COLLEGE ASSOCIATION, THE AMERICAN ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES, AND THE AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Mr. BOLAND. We will turn to Dr. Thomas Wenzlau, president of Ohio Wesleyan University, appearing on behalf of the Associated Colleges of the Midwest, the Great Lakes College Association, the American Association of State Colleges and Universities, the National Association of Independent Colleges and Universities, and the American Association of Community and Junior Colleges.

Dr. WENZLAU. Thank you, Mr. Chairman.

Mr. Chairman, I come with great concerns that the National Science Foundation is giving diminishing and insufficient support to science education. We feel with this neglect that the National Science Foundation is disregarding the responsibility that Congress is delegating to it and we believe they are placing in serious jeopardy the long-term scientific exploration for our country.

I would like my entire statement included in the record and I will summarize my points.

Mr. BOLAND. Fine.

[The full statement follows:]

STATEMENT OF DR. THOMAS E. WENZLAU

Representative Boland and members of the subcommittee, thank you for the opportunity to appear here to testify on the National Science Foundation fiscal 1978 budget request. As spokesman for the twenty-five independent colleges and universities in the Great Lakes Colleges Association and the Associated Colleges of the Midwest,[1] the 324 member colleges of the American Association of State Colleges and Universities, the 603 members of the new and growing National Association of Independent Colleges and University, and the 1,200 members of the American Association of Community and Junior Colleges, I come today with an overriding concern that the National Science Foundation is giving diminishing and insufficient support to science education. Wth this neglect, NSF is disregarding the responsibility delegated to it by Congress and, we believe, is placing in serious jeopardy the long-term scientific superiority of this Nation.

Since the beginning of NSF Congress recognized explicitly the interdependence of science education and scientific research. In 1950, the legislation creating the

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[1] 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 College, Denison University, DePauw University, Earlham College, Hope College, Kalamazoo College, Kenyon College, Orbelin College, Ohio Wesleyan University, Wabash College, The College of Wooster.

Foundation charged it to "develop and encourage the pursuit of a national policy for the promotion of basic research *and education* in the sciences." (Emphasis added.) In 1972, *Congress* reiterated this dual responsibility in Public Law 92-372, which "authorizes and directs" NSF to (in part) "initiate and support basic scientific research potential *and science education at all levels*." (Emphasis added.)

Congress has exhibited the understanding that in the long run, neither can proceed effectively or efficiently without the other. Together they provide the essential knowledge and manpower to meet specific scientific problems—be it space technology in 1957, the energy crisis in 1977 or the yet to be defined science-oriented problems of the 1980's.

Three important aspects of this interrelationship deserve emphasis. First, it is absolutely essential that the people of this Nation be scientifically literate. We live in a science-oriented world. We also live in a democracy. If we are to generate the political support essential to produce a meaningful scientific capability, the public must understand science. Therefore, good science education must take place in primary and secondary schools.

Second, quality science education in primary and secondary schools requires equally excellent science education for college and university undergraduates. These persons become the primary and secondary school science teachers who teach that basic public the understanding that I mentioned earlier. Further, many college graduates who have studied science move immediately into manpower positions in scientific industry and commerce.

Third, the direct and final link between science education and research is the graduate school. But the graduate school draws its students from the undergraduate college. College graduates, after still more specialized science education, emerge as the professional scientists who conduct basic research which extends the limits of our knowledge and also do applied research to solve specific problems.

Our institutions strongly reaffirm the importance of this interdependence. The reaffirmation leads us also to record our vigorous opposition to the proposed reorganization which would transfer the science education sections of the National Science Foundation to a newly-created Department of Education. It is inevitable that the quality of both science education and scientific research would suffer if each were deprived of the mutually supportive stimulus implicit in their coexistence within the National Science Foundation. Separating the two would be counterproductive using any cost-effective criteria as a basis for judgment.

Our strong support for continued NSF administration of the science education programs is not unqualified support of the apparent goals and manner of that administration. In spite of having been clearly delegated a dual responsibility for science education and research, the National Science Foundation has not had the wisdom and foresight to maintain an appropriate balance between them. NSF priorities reflected in the proposed fiscal 1978 budget demonstrate a clear disregard for long-term objectives. The NSF requested dollar increase in the fiscal 1978 budget for science education programs is almost negligible; in real dollars, the expenditures proposed for fiscal 1978 are only 22.7 percent of the 1968 level. Cuts of this magnitude will inevitably reduce our scientific manpower below acceptable and reasonable levels. (See appendix A for data and charts.) We hope you will support the full $83.3 million for science education programs authorized by your colleagues on the Committee for Science and Technology as a step to counteract this dangerous trends.

Nevertheless, fewer scientists are expected to carry out significantly increased basic research programs. The fiscal 1978 basic research budget request (see definition with appendix A) is up 10.5 percent over last year and up 79.7 percent in 4 years. In real dollars, too, the expenditure for research is expanding—up 96.1 percent since 1968. (See appendix A.) Our short-sighted failure to invest in a sizable cadre of young people well-educated in basic science will subvert, in a relatively short period of time, the very research efforts that NSF seeks to support. Ultimately our national scientific potential must be jeopardized.

The support of the traditional science education programs recommended by NSF for 1978 has dropped to 10 percent of the funds for basic research. See appendix A.) If this Nation is to have the scientists necessary to carry out future basic research at the pace implied in the 1978 budget request, funds for science education must be significantly greater than 10 percent of the research expenditures requested for fiscal 1978.

The continuing downtrend in this ratio must be reversed. Continued rapid expansion in both basic and applied research cannot be accomplished with fewer and fewer resources devoted to educating people to accomplish that research. Nor can the education of research scientists be accomplished rapidly. Current decisions affecting expenditures for science education will affect our scientific capacity in the next decade.

To meet the imbalance of resources problem, we have three specific suggestions: First, Congress should direct NSF to establish a relatively fixed funding guideline recognizing the relationship between education and research. Such a guideline will insure a continuing and adequate manpower and knowledge base in science so that we can deal rapidly and effectively with out next and yet to be defined crisis. We suggest the NSF be mandated by Congress to (1) recognize the significance of the ratio between science education dollars and basic research dollars; (2) reverse immediately the historic and programed downtrend in that ratio so that the approved budget will show a higher ratio than the 10 percent projected for fiscal 1978 and (3) announce a longer-term objective of seeking to improve that ratio so that science education resources are at least 33 percent of basic research resources.

Second, we commend the House of Representatives for recognizing the clear responsibility of NSF to provide support for a strong process in science education as well as meeting short-range crises. At the instigation of one of your committees, Congress directed the establishment of both science education problems innovation and science education support programs, the former to meet short-term problems or emergencies, the latter to improve and sustain education. Such action by Congress to distinguish between these functions is both necessary and desirable.

Third, NSF should accept responsibility with the colleges and universities for sustaining quality science education. High quality science education is both critical and expensive. Neither Congress nor the NSF realistically can expect institutions, undergraduate or graduate, to assume the full burden of continuing support. It is a shared responsibility with shared benefits; the costs should be shared as well. Congress must exhibit the foresight and the courage to make the hard choices that the NSF has elected not to make.

The thrust of our argument is that the present imbalance between research and education is improper. This should not be interpreted to mean that we are critical of the quantity of funds flowing to research. Quite the contrary, we commend the position of our colleagues in the graduate institutions on this use of resources. We urge that you restore some balance of research with science education support.

However, we would suggest serious consideration of an earmarking of funds within the basic research budgets to support "little science." Like much in our society, research has become gigantic. The most exotic, the most dramatic research is by any definition big. As such it requires teams of researchers, masses of costly equipment and huge quantities of resources—that is, dollars. Understandably, big science can be accommodated only at Government research centers, in industry or on large university campuses. It is easy for equally important (if less dramatic) "little science' 'to be downplayed or even ignored. Many important discoveries, however, have come from "little science"—carried out by a single researcher, with modest equipment needs and an equally modest budget. "Little science" researchers reside on college and university campuses of all sizes and all over the country, concentrated more in some disciplines than in others but with great and largely untapped potential to make important contributions to new scientific knowledge.

To insure that some funding is available for research in "little science," we urge that Congress earmark a percentage of NSF basic research funds in all fields for small research projects. What constitutes small research varies from discipline to discipline. For instance, physics research with its complex equipment needs is likely to be much more expensive than research in the social sciences. High energy physics is more expensive than theoretical physics, too. We urge that appropriate formulas be developed to guarantee a reasonable share of the basic research funds for "little science" in the several fields of science within NSF.

To undergird "little science" in yet another way, we urge congressional guidance to NSF in administering instrumentation grants. At this time, certain instrumentation grant programs at NSF have minimum dollar amounts of equip-

ment they will help fund. We ask Congress to set aside some of the increase which NSF has requested for instrumentation for research equipment used in "little science." We suggest that no less than 15 percent of the total instrumentation budget be allocated for equipment grants of $25,000 or below.

In order to insure appropriate evaluation of "little science" proposals, we also urge that NSF seek qualified scientists from non-Ph. D. granting institutions in greater numbers to serve as reviewers for the instrumentation and basic research proposals.

We have urged before other committees that the Congress adopt a biennial authorization procedure for the NSF budget to replace the present every year approach. Appropriations for NSF we hope would remain an annual process. There appear to be many gains and few, if any, costs related to adopting a biennial authorizing procedure so long as Congress continues its appropriate oversight responsibilities.

Several specific programs embodied in this proposed budget legislation need special comment:

COMPREHENSIVE ASSISTANCE TO UNDERGRADUATE SCIENCE EDUCATION (CAUSE)

From the perspective of the type of institution I represent, one of the most important steps ever taken to improve undergraduate science education is embodied in the new program Congress initiated in fiscal 1976—CAUSE—comprehensive assistance to undergraduate science education. CAUSE encourages undergraduate colleges to compete for funds to upgrade science education by custom-designing a program to meet the specific needs of the particular institution. Its broad scope of support—for faculty improvement, for curriculum improvement, and for related equipment and facilities—presents an extremely realistic and attractive mechanism for meeting the present needs of many undergraduate colleges.

CAUSE initially had a great positive impact on morale in our colleges and greatly increased interest in science curricula. More than 750 proposals were submitted to NSF in the initial year. Only 59 proposals could be funded with the meager $10 million budget. Even the decrease in submissions this year—to 480 for the present level of funding—$11 million—will produce a success ratio of only 14 percent—disappointingly below the general 50 percent ratio for NSF programs overall.

Speaking as president of an institution that was one of the 59 successful competitors last year, I state with all sincerity that Ohio Wesleyan University's CAUSE grant has had a greater impact on the quality of our science education than any single program or policy since our science department occupied new facilities 9 years ago. While the proposal was institutionally generated, the potential would never have become reality without our CAUSE grant. If our experience is at all typical, these CAUSE dollars are among the most productive ever spent by NSF in science education. On the basis of that first-hand experience, we urge you to support the full amount authorized for CAUSE by the House authorizing committee of $17.5 million.

LOCAL COURSE IMPROVEMENT (LOCI)

We strongly support another related NSF program—local course improvement—LOCI. Where CAUSE supports a broader design, LOCI encourages the improvement on a smaller, but still significant, scale. LOCI encourages local campus improvements in science and social science curricula by making small grants to individuals or small groups of individuals. Announced for the first time last year, NSF received 169 proposals for the modest $1 million spent. This year, 750 applications were received, indicating the high amount of interest in the education community. Because LOCI clearly meets a need and stimulates ideas for improvement, we support increasing the funding level for fiscal 1978 to at least $3 million to take advantage of the potential of LOCI to impact productively on science education.

INSTRUCTIONAL SCIENTIFIC EQUIPMENT PROGRAM (ISEP)

Related to LOCI are funds for the instructional scientific equipment program (ISEP). We applaud the proposed small increase in ISEP funding but we sug-

gest that it be increased to meet more of the need. In fiscal 1977, the program received 1,386 applications for a projected 325 grants. Scientific equipment is necessary for effective science education. The ISEP approach in which NSF and the institution both contribute funds, has proven extremely effective in helping institutions meet costly equipment needs while simultaneously insuring that only high priority equipment is acquired.

MINORITY CENTER FOR GRADUATE EDUCATION

We note that the new minority centers for graduate education preclude all but Ph. D. granting institutions. Opening the program to institutions awarding master's degrees would, we believe, assist in attracting a great number of minority students into graduate education.

SCIENCE FACULTY PROFESSIONAL DEVELOPMENT

We applaud congressional support of the small but high-gain science faculty fellowships program, now incorporated into the science faculty professional development program. After a number of succesful years, the SFF program was suspended by NSF for 2 years. It was then reinstituted in fiscal 1974, 1975, and 1976 as a direct result of the initiatives taken by the House of Representatives.

The science faculty fellowships program meets an increasingly important need in higher education. With student population growth leveling off, faculty mobility has decreased dramatically. With turnover vastly reduced, techniques for keeping faculties amenable to change and up-to-date must be available. Furthermore, science faculty members need to develop undergraduate courses of inter- and trans-disciplinary natures, often outside their original specialization. The faculty fellowships program meets these faculty development needs squarely. The intense competition for these grants and the peer panel evaluation process insure maximum return for each tax dollar expended.

It is apparent that the $2.5 million recommended for the combined science faculty fellowships and former faculty research participation program greatly underestimates the need for support. Not less than the $3.7 million advocated in the House authorizations should be allocated to these two programs. We urge your support of such an increase.

STUDENT-ORIENTED PROGRAMS

The NSF budget request for the three student-oriented programs (student science training, undergraduate research participation, and student-originated studies) remains at a distressingly low $5.5 million. This is difficult to understand since all the positive arguments for support of these programs remain in force. For example: Undergraduate research participation (URP) offers the opportunity for an undergraduate research experience. The program's value, quite apart from its role in producing scientists, is that it brings together the mature faculty researcher with talented and motivated undergraduate students exemplifying the learning experience by doing scientific research together. Nothing explains the scientific process so well as the hands-on approach to research that URP provides.

Relaxation of subject matter restrictions this past year—a step we heartily applaud—led to a significant increase in URP proposals submitted to NSF to 746 over last year's 627. In spite of increased interest and need, NSF (and the Office of Management and Budget) proposed a 16-percent reduction in support. A budget of $5 million would still leave many meritorious proposals unfunded. We ask your support for that figure.

We also believe that the other two related programs are underfunded and urge you to provide at least $2 million for student-originated studies and $3.4 million for SSTP in the fiscal 1978 budget.

TEACHER TRAINING PROGRAMS

We also support the teacher training programs this subcommittee initiated last year. The initial response to this effort to upgrade teaching in elementary and secondary schools by academic year and summer training programs on college compuses was 870 applications. Such a response proves the need for such a program. We commend this committee's recommendations for fiscal year

1979 that the program funding be increased to $12.5 million for the science teacher seminars and $12.5 million for advanced teacher workshops. However, in view of the limitations on authorization levels, we recommend that you consider a $10 million total, equally divided between the two programs for fiscal 1978. Particularly, we would support the regional summer programs which permit teachers to gain experience outside their immediate environment. We would urge also that the guidelines be broadened to make 2-year colleges eligible to compete for such programs.

DEVELOPMENT IN SCIENCE EDUCATION

Although the drastic reduction in funding for development in science education—down from $10.2 million in fiscal 1976 to a proposed $5.6 million in fiscal 1978—has little direct impact on the undergraduate colleges and univerisities I represent, we urge congressional reconsideration. Recent and apparently justified criticism of NSF procedures should not be allowed to diminish our appreciation of the agency's dramatic achievements in upgrading science education in this country. We believe Congress is reasonable in demanding more accountability and more responsibility from the NSF administrators. But we urge that you do not restrain the development of new educational approaches for school children. We in higher education benefit from receiving these well-prepared students as they enter our institutions. In our individual lives as parents we also endorse these programs. And as citizens we all benefit from a knowledgeable public.

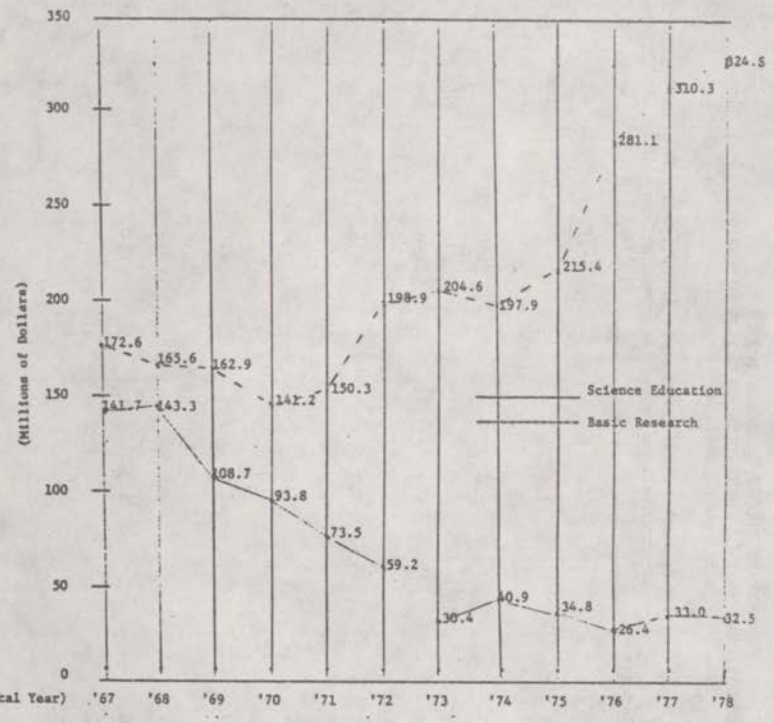
We believe that the Congress has guided NSF most wisely and most appropriately in resetting its priorities among the programs. We deeply appreciate the willingness of Members of Congress to hear our needs and to provide a forum which sometimes we have not found within NSF on these matters of policy.

SUMMARY OF BUDGET REQUESTS FOR
SELECTED NATIONAL SCIENCE FOUNDATION EDUCATION PROGRAMS
(In Millions of Dollars)

Name of Program	NSF FY '78 Request	House Authorizations Recommendations FY '78	Senate Authorizations Recommendations FY '78	AACJC, AASCU, ACM, GLCA, NAICU Appropriations Request FY '78
Comprehensive Assistance to Undergraduate Science Education (CAUSE)	14.5	17.5	0.1	17.5
Local Course Improvement (LOCI)	3.0	3.0	4.0	3.0
Instructional Scientific Equipment (ISEP)	3.8	3.8	8.0	5.0
Faculty Professional Development	2.5	3.7	5.0	3.7
Undergraduate Research Participation (URP)	2.1	2.6	5.0	5.0
Student-Originated Studies (SOS)	1.0	1.0	2.0	2.0
Student Science Training (SSTP)	2.4	3.0	3.4	3.4
Teacher Training Programs	4.0	3.0	8.0	10.0

Independent Colleges Office
April, 1977

NATIONAL SCIENCE FOUNDATION
Support of Science Education & Basic Research*, FY 1967-1978
In FY '67 Dollars



* 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.

Sources: NSF Annual Reports for FY 1967-1975
FY 1978 Budget Estimate to Congress from NSF
Consumer Price Index for Urban Wage Earners & Clerical Workers, Bureau of Labor Statistics, Department of Labor
Economic Projections of the Council of Economic Advisers, Office of Management and Budget

Independent Colleges Office
February, 1977

SUPPORT OF SCIENCE EDUCATION & BASIC RESEARCH [1]
NATIONAL SCIENCE FOUNDATION
FY 1967-1978 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 $141.7 M Expended in FY 67 for Educ.	E. Purchasing Power of NSF Education Support in FY '67 Dollars	F. NSF Budget Expenditure for Basic Research	G. Amount Needed to Equal $172.6 M Expen. in FY 67 Bas.Res.	H. Purchasing Power of NSF Basic Research Support in '67 Dollars
'67	97.2-100	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	74.0	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	133.1-147.7	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	165.85	1.68	44.3	238.1	26.4	472.3	290.0	281.1
'77	170.5-179.2	174.85[4]	1.77	58.5[6]	250.8	33.0	549.3[6]	305.5	310.3
'78	179.2-188.9	184.05[5]	1.87	60.7[7]	265.0	32.5	607.4[7]	322.8	324.8

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 (U.S. Department of Labor).

3/ Calculated by averaging two adjacent calendar years.

4/ Projection based on 5.1% inflation (Council of Economic Advisers, OMB).

5/ Projection based on 5.4% inflation (Council of Economic Advisers, OMB).

6/ Current plan.

7/ FY '78 requests.

Sources: NSF Annual Reports-FY 1967, 1968, 1969, 1970, 1971, 1972 1973, 1974, 1975
FY 1978 Budget Estimate to Congress
Consumer Price Index for Urban Wage Earners & Clerical Workers (1967=100), Bureau of Labor Statistics, U.S. Dept. of Labor
Economic projections of the Council of Economic Advisers, Office of Management and Budget

Independent Colleges Office
February 1977

Dr. WENZLAU. Since the beginning of the NSF, Congress recognized explicitly the interdependence of science education and scientific research. Together they provide both knowledge and manpower to solve scientific problems, whether they are problems of the past such as space technology, problems of the present such as energy or the yet to be defined problems of the next decade or two.

There are three important aspects of this relationship that I want to mention. They are interrelated themselves. In a democracy it's essential that the people understand science. This is the only way we can generate the political support necessary to have a scientifically capable Nation.

But quality understanding among the public requires equally good science education in undergraduate colleges who provide the teachers in secondary schools and provide the people who will move into the science industry. And at the graduate school level, we need this information. The graduate schools are provided with people from the undergraduate institutions.

We want to go on record as strongly affirming the importance of this interdependence. This leads us to record our vigorous opposition to the proposed reorganization which would transfer science education sections of the National Science Foundation to a newly proposed Department of Education. It's our belief that this would inevitably reduce the quality of both scientific education and scientific research if they were deprived of the mutually supportive stimulus which is implicit in their coexistence within the National Science Foundation.

We feel certain that separating the two would be counterproductive using whatever cost effective criteria one would use. Our strong support for continued NSF administration of the science education program is not unqualified support of the apparent goals and manner of that administration.

In spite of the delegated dual responsibility for science education and research, NSF has not had the wisdom or foresight in our view to maintain an appropriate balance between them.

NSF priorities reflected in the proposed budget demonstrate a clear disregard for the long-range objectives of the NSF requested dollar increase in the 1977 budget for science education programs is negligible. In real dollars the expenditures will be reduced further. In terms of real dollars, expenditures proposed for fiscal 1978 are only 22.7 percent of the 1968 level. A cut of this magnitude will reduce our scientific manpower below acceptable and reasonable levels.

I refer you and the committee to an appendix A which is attached to this testimony. We urge your full support of the $83.3 million for science education programs authorized by your colleagues in the House Committee for Science and Technology as a step to counteract this dangerous trend. At the same time fewer scientists are expected to carry out significantly increased basic research programs.

The fiscal 1978 research budget is over 10½ percent over last year. In real dollars, too, expenditures for research have increased, up 96 percent since 1968. Our short-sighted failure to invest in a sizable cadre of young people well educated in basic science will subvert the research effort that NSF seeks to support.

Ultimately our scientific potential as a nation must be jeopardized. Support of traditional science education programs initiated by NSF has dropped to 10 percent of the funds for basic research. If this nation is to have scientists necessary to carry out future basic research at a pace implied in the 1976 budget, funds for science education must be significantly greater than 10 percent of the research expenditures requested.

The continuing down trend in this ratio must be reversed. Continued rapid expansion in basic and applied research cannot be carried out with fewer resources devoted to educating the people necessary to accomplish this research. Current decisions which affect expenditures for scientific education will affect our scientific capacity in the next decade, not the present one.

To meet this resource imbalance, we have three specific suggestions. First, Congress should direct NSF to establish a relatively fixed funding guideline recognizing the relationship between education and research.

This will insure continuing and adequate manpower and knowledge as a base so that science can deal effectively and rapidly with out yet to be defined crises of the next decade.

We suggest that NSF be mandated by Congress in three directives: First, to recognize the significance in this ratio between science education expenditures and basic research objectives. Second, to reverse immediately the historic and apparently downtrend in that ratio so that the approved budget will show a higher ratio than the 10 percent reflected for this year, and announcing a long-term objective of improving that ratio so that science education resources are at least 33 percent of the NSF resources.

Third, we recommend the House support for strong processes in science education as well as meeting short-run crises. At the instigation of one of your committees the Congress recommended establishment of the science education support programs and the science education innovation programs. Such action by Congress to distinguish between these functions is both necessary and desirable.

Fourth, the National Science Foundation should accept responsibility with the colleges and universities for sustaining quality science education. High quality science education is critical and expensive. Neither Congress nor the NSF realistically can expect institutions graduate or undergraduate to assume the full burden of this continuing support. It's a shared responsibility with shared benefits and the cost should be shared as well.

Congress must exhibit the foresight and courage to make those hard choices that the NSF seems reluctant to make.

The thrust of our argument is that the present imbalance between research and education is improper. We hope that this will not be interpreted to mean that we are critical of the quantity of funds flowing to research. Quite the contrary. We commend the position of our colleagues in the graduate institutions on the use of these resources. We urge you balance out the science, research, and education support in the bill.

We suggest you earmark funds in the budget to support "little science."

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Like much in our society, research has become gigantic. The most exotic research is big. It requires teams of researchers, massive amounts of equipment, and dollars. Big science can be accomplished only at Government centers, industry or on large universities' campuses. It's easy for "little science" to be downplayed or ignored. Many important discoveries have been made by a single researcher with modest equipment needs and modest budget. "Little science" researchers reside on college and university campuses of all sizes and all over the country. They are concentrated in some disciplines more than others but they have a large untapped potential to make large contributions to scientific knowledge.

We urge that Congress earmark a percentage of National Science Foundation basic research funds in all fields for small research projects. What constitutes small research varies from discipline to discipline. Physics research is likely to be more expensive in little science than research in the social sciences. High energy physics is more expensive than theoretical physics.

We urge that appropriate formulas be developed to insure a share of the funds for little science.

Furthermore, to undergird little science in another way we urge congressional guidance to NSF in administering instrumentation grants. At this time certain instrumentation programs at the National Science Foundation have minimum dollar equipment amounts that they will help support. We ask Congress to set aside some of the increase NSF has requested for instrumentation this year for research equipment to be used in little science.

We suggest no less than 15 percent of the total instrumentation budget be allocated for equipment grants of $25,000 or less. Furthermore to insure appropriate evaluation of little science proposals, we would also urge that the National Science Foundation seek qualified science from non-Ph. D.-granting institutions in greater numbers to serve as reviewers for the basic research proposals.

On other occasions we have urged that Congress adopt a biennial budget procedure to replace the annual appropriation.

Mr. Boland. You will never get that.

Dr. Wenzlau. We ask for it and we hope to continue the annual appropriation review as an oversight for this. We still would like to keep this as an issue before Congress.

Mr. Boland. Let me say you won't get it this year.

Dr. Wenzlau. I will accept that. We are very consistent.

I would like to comment on two or three specific programs and then summarize my comments on some of the others.

From the perspective of type of institutions I represent—we have 2,500 students at Ohio Wesleyan—one of the most important steps ever taken to improve undergraduate science education is embodied in a program Congress initiated in 1976 with the acronym CAUSE. CAUSE encourages undergraduate colleges to compete for funds to upgrade science education by custom designing a program to meet the specific needs of a particular institution. Its broad scope of support for faculty improvement, curriculum development and related equipment and facilities presents a realistic and attractive mechanism for meeting the present needs of undergraduate colleges.

Initially, CAUSE had a positive impact on morale in our colleges. The first year more than 750 proposals were submitted to NSF. Only 59 could be funded with the $10 billion budget that was available. This year the submission of proposals is down somewhat to 480, but the present level of funding of $11 million will produce a successful ratio of only about 14 percent, which is disappointingly below the general 50 percent level for NSF proposals.

I speak now as president of an institution that was 1 of the 59 successful competitors last year.

I state with all of the honesty that I can that our CAUSE grant has had a greater impact on the quality of our science education than any single program or policy since our science departments occupied totally new facilities almost a decade ago.

While this program was institutionally generated, the potential that was in it could never have become a reality without the CAUSE grant from NSF. These are among the most productive dollars ever spent by the NSF on behalf of science education.

We urge you to support the full amount for CAUSE authorized by the House Authorizing Committee, in the amount of $17.5 million.

I would like to skip for the moment now to the student-oriented programs. The National Science Foundation budget for the programs, student science training, undergraduate research participation, and student originated studies remains at $5.5 million.

This is difficult for us to understand since all of the positive arguments for support of these programs remain in force. For example, undergraduate research participation offers an opportunity for undergraduate research experience.

The program's value, apart from its role in producing scientists, is that it brings together a mature faculty member and researcher with talented and motivated undergraduates, exemplifying the learning experience by doing scientific research together.

Nothing explains the scientific process so well as this hands-on approach to research that the URP program provides. We have had many of our scientists on our faculties proclaim that this is some of the best science teaching and education that can take place on our undergraduate campuses.

Relaxation of the subject matter restrictions on these projects during the past year is a step we applaud and it has led to a significant increase in proposals, up to 746 from last year's figure of 627 proposals. In spite of this increased interest and increased number of proposals, the National Science Foundation and the Office of Management and Budget has proposed a 16-percent reduction in support.

A budget of $5 million would still leave many meritorious proposals unfunded. We ask your support for that figure.

We also believe that the two other related programs are underfunded and we urge you to provide $2 million for the SOS, student originated studies, and $3.4 million for the student science training program in the next year's fiscal budget.

The teacher training programs we support strongly. This was a program this subcommittee initiated last year. The initial response to this effort to upgrade teaching in elementary and secondary schools by academic year and summer training programs was 870 applications.

Such a response proves the need for the program. We commend this committee's recommendations of last year that the program funding for fiscal 1979 be increased to $12.5 million for the science teacher seminars and $12.5 million for the advanced teacher workshops. In view of the limitation in the authorization levels, we recommend you consider a $10 million total budget equally divided between the two programs for the current upcoming fiscal year. Particularly we support the regional summer programs to permit teachers to gain experience outside the immediate environment.

We urge the guidelines be broadened to make 2-year junior and community colleges eligible to compete for such programs.

Other programs that I have described in some detail in the text, I simply want to mention at this juncture.

The local course improvement program, the instructional scientific equipment program and the science faculty fellowships. Our position is expressed in the document on these. We have appended a summary of our recommendations with respect to funding of these attached to this document and I urge your attention to that.

We believe that Congress has been very instrumental in guiding NSF in a wise and appropriate manner, as it seeks to reset its priorities among its programs.

We deeply appreciate the willingness of Congress to hear our needs and to provide a forum which sometimes is not found within the NSF on matters of policy. I thank you. We will answer any questions you may have.

Mr. BOLAND. You have answered all of the questions in your statement. It is a fine statement. Let me say I do not know of any committee of the Congress that has done more for science education than this one.

This was before the National Science Foundation budget was authorized or had to be authorized by the Science Committee. We have paid particular attention to those areas in science education affecting smaller colleges.

This did run counter to the direction in which the Foundation was headed. We reversed that direction. Whether we can pump in more money at this juncture, when there are other priorities, is another question, of course.

We appreciate your presence and the fine statement that you have delivered to us.

Mr. Coughlin do you have any questions?

Mr. COUGHLIN. Having been on both the authorizing and now the appropriating side of this process, I sympathize totally with your concern as to emphasis on science education which is indeed important as the chairman has aptly said. It's a fine statement and we appreciate your being here very much.

Dr. WENZLAU. We certainly appreciate your interest and the ear that we have had in this committee and the actions you have taken.

Mr. BOLAND. As you know, the National Science Foundation budget request this year is $885 million. I have been on this committee for some years, and I remember when the National Science Foundation was born 26 years ago, and the first appropriation was $250,000. We have come a long way, actually.

Dr. WENZLAU. Indeed we have.

Mr. BOLAND. Any efforts that we have made to cut back on basic research where most of the money is spent, as you have indicated, has run into some real heavy artillery fire. We don't get much help from institutions like yours.

Dr. WENZLAU. This is a difficult problem because research dollars——

Mr. BOLAND. The answer is you ought to put more money into the program.

Dr. WENZLAU. That is always the easiest answer. I hear that on my campus, too. The difficulty with research and education dollars is that the payoff is so far into the future. We are investing in the future and it's difficult to evaluate the results that these dollars are going to have. These are the hard kinds of decisions we have to make.

When you have a short-term basis for evaluating a program, it's much easier than the education and research dollars.

Mr. BOLAND. What sort of budget process do you have at Ohio Wesleyan? Zero-based budgeting?

Dr. WENZLAU. We don't have zero-based budgeting. Much of our budgeting is done on the basis of evaluating programs from year to year. In recent years because of the pressures all colleges are feeling, we have made some decisions which have been hard to implement on our campus.

Mr. BOLAND. You have a great institution. Ohio Wesleyan is a famous and fine institution. I presume it's operating in the black.

Dr. WENZLAU. Yes, fortunately we are. We are having a particularly good experience there.

Mr. BOLAND. Let me ask a question about zero-based budgeting. On March 10, I flew to Clinton, Mass., with President Carter and this is one of the areas we discussed. This subcommittee is getting into the process of zero-based budgeting with two agencies funded by this subcommittee, the Consumer Product Safety Commission which has a budget of $42 million and NASA, where we are looking at only program management with reference to three of their centers, Kennedy and Marshall and the Manned Flight Center at Houston. That expenditure runs around $400 million.

We are going to get zero-based budgeting in the Federal establishment in the fiscal year 1979 budget. What do you think of starting from scratch in this area?

Dr. WENZLAU. I think that there is, as in most of these things, a compromise position. Most of us who are administrators in colleges do not look at individual programs from ground zero often enough. I don't think that can be done every year and I don't think it should be done every year.

You know, not everything we do in the college can be evaluated annually. We spend all of our time evaluating and no time teaching or educating. I do think there is a very good argument for periodic zero-based budgeting analysis of particular programs that you have.

If you are talking about an academic department that is probably not a useful device in terms of making that kind of judgment.

Mr. BOLAND. Do you think it could be applied easily and readily to grants for basic research?

Dr. WENZLAU. I really don't think I can answer that effectively, because our institution and the kinds of institutions generally that I represent are not research oriented.

We are instructionally oriented institutions. For the few research projects that are carried out on our kinds of campuses, and some of them are high quality, I think yes, in effect, evaluation could be done, perhaps not annually, but in shorter periods of time.

In effect, for the research on my campus this is done because our people are reapplying for funding for their research projects, if not annually, sometimes every 3 years or so. If the funding doesn't come through on the basis of their being able to justify this research, from a series based position——

Mr. BOLAND. For an extension of those particular projects or for new projects?

Dr. WENZLAU. This is continuation of ongoing projects as well as for new projects, obviously. We have had one researcher in psychology on an NIH grant for a number of years and he has to get that total program refunded at least every 3 years.

Mr. BOLAND. Dr. Wenzlau, thank you for your presence. We are always delighted to hear you and to have your wisdom and counsel.

Dr. WENZLAU. Thank you.

NSF MINORITY INSTITUTION FUNDING

WITNESS

MILES MARK FISHER IV, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Mr. BOLAND. We will now turn to Miles Mark Fisher, executive secretary of the National Association for Equal Opportunity in Higher Education.

Mr. FISHER. Mr. Chairman, my name is Miles Mark Fisher IV, executive secretary of the National Association for Equal Opportunity in Higher Education.

This association represents the historically black colleges and universities of this Nation.

These institutions continue to serve large numbers of black youth and similarly situated youth in this Nation, while graduating more than 30,000 students annually with undergraduate, graduate and professional degrees from an annual erollment numbering more than 200,000 students.

With the apparent retrenchment that is underway with regards to equal educational opportunity with achievement, these institutions continue to produce the critical number of students necessary to offset this trend while sustaining and expanding this effort.

Declining minority enrollments at medical schools, dental schools and in graduate opportunities signal a need for continuing the support of scientific programs for minorities if there is to be any broadening of participation in the future.

There is a critical need to increase the support of scientific activities which will expand the pool of prepared blacks and other minorities

while broadening their participation in this Nation's scientific endeavors. Blacks still lag behind in their preparedness across science-oriented disciplines in American higher education and, therefore, are correspondingly underrepresented in all areas.

Unless the Federal Government takes a leadership role and provides the necessary resources both financial and human, the problem of underrepresentation and participation will be further exacerbated. It is in the national interest and in this Nation's future that this problem be addressed in the first year of the third century.

In a pluralistic society there is the need for greater participation by all of the citizenry, particularly in areas critical to the Nation's general well-being. Chronic neglect of black colleges and other minority institutions must be reversed in order to remedy this situation.

As the pool of minority students continues to expand, opportunities will be provided to enhance the maximum utilization of this pool, particularly in scientific areas of endeavor.

The National Science Foundation has played a vital role in helping to raise the level of consciousness as to the direction minority activities should take at the minority institutions. However, resources going to these institutions must continue to be increased to accommodate in part the chronic underfunding of bygone years and meet present needs of these institutions.

If the Nation's commitment is to equal opportunity and improved representation of minorities in all fields, the following programs continue to be vital in keeping alive the minority thrust.

I will summarize what I have under these particular areas and hope that the full document will be placed in the record.

Mr. BOLAND. It will be. Thank you.

Mr. FISHER. The first program is the minority institutions science improvement program.

Minority institutions continue to need further developing and strengthening of the science departments, as well as of expanding their fields of study. Science continues to be valued in our society and, therefore, should be maximized at minority institutions. The majority of black research scientists have received their college education and introduction to scientific disciplines at these institutions. A strong focus on these institutions will expand this Nation's scientific manpower resource pool.

You might need to recognize the fact that over the years the minority institutions support program has had its eligibility broadened and, therefore, this means that more institutions are available to participate in this program than there are resources available to take care of their particular needs.

If science representation is to be reinforced and continued at the undergraduate level, increased resources should be provided.

Scientific preparation at the undergraduate level is the predicate for the graduate and professional educational readiness, if an adequate qualified pool is to be available.

This program was initially funded at $5 million in fiscal year 1972. Fiscal year 1976 expenditures were $4.7 million. Fiscal year 1977 funding is proposed at $5.1 million. Fiscal year 1978 funding is proposed at $5 million. This level of funding does not take into consideration

the inflation, expanding pool of eligible institutions and the new thrusts within institutions.

We recommend that this program be funded at a level of $10 million for fiscal year 1978.

Minority institutions graduate traineeships. This program is designed to improve the access of graduate students attending historically minority colleges and universities to careers in science and technology at those institutions which offer the master's or higher degrees in the sciences and are most productive in the number of degrees awarded.

The chronic underrepresentation of blacks and minorities in the science areas supports the expansion of such a program at minority institutions.

The fiscal year 1978 program encourages participation in this program and it provides funding of this program. The fiscal year 1977 budget provides $90,000 for this program.

This program in the 1978 budget is asking for a level of $1 million. The House authorized a floor of not less than $1.5 million of its $3 million of authorization be made available for a new program of minority graduate scholars. We are concerned that such a protective floor does not do justice to the minority institutions' graduate traineeships given to minority institutions.

This could mean that $2 million could go to the minority graduate scholars while leaving a million dollars for the original program thrust.

Minority institutions' graduate programs need support particularly those at the historically black colleges and universities. We are aware that there was only 1 black student who received an NSF Fellows Award in 1975–76 out of a total of 550 awardees from a pool of 110 blacks. Sixteen ethnic group persons received awards, 9 Asian or Pacific Islanders, 6 Hispanic and 1 black/Negro, not of Hispanic origin, together with the 534 Caucasians/whites not of Hispanic origin.

This is significant because if the usual awarding of the 500 awards which are allocated irrespective of race are given, as in the past, then what you could end up having is this new program which would provide 25 additional students, the one is looking at a 3-year projection or 75 students if allocated for just 1 year, and you may find that none of the 550 awards could go to minorities and there is a possibility that you would have one black, plus 25 or 75 other minority persons, depending on how the program is carried out.

In this section we are recommending two separate programs. Continuation of the present minority institution graduate traineeship program at a level of $2 million.

Establish the new program of minority graduate scholars independent of the above program at $1.5 million, as suggested by the House in its authorization deliberations.

These programs should be line itemized separately so that there is no danger of an absorption of the minority institutions graduate traineeship program by the minority graduate scholars program.

MINORITY CENTER FOR GRADUATE EDUCATION

This program is designed to promote increased participation by disadvantaged ethnic minorities in careers in science and engineering.

Several of these centers should be placed at the historically black colleges; namely, Howard University, Atlanta University Center, Meharry Medical College/Fisk Tennessee State University, and expanded to other centers.

Serious consideration should be given to those minority institutions that have a track record of producing graduates rather than giving these centers to those institutions which are making promises, but have not over time demonstrated a serious commitment to producing graduates.

This program should focus on building the capabilities of minority institutions in that the Foundation has bypassed these institutions in its past efforts at centers of excellence.

This can be rectified at this time.

In fiscal year 1977 the Foundation plans to spend $800,000 on minority centers for graduate education. This a good concept in principle. However, the proposed $1 million for fiscal year 1978 is not enough money to adequately move this program.

Other research money should be looked at within the funding base of the Foundation in order that this new initiative have the potential for long-term success based on the possibility of broad funding within the mainstream of funding.

We recommend that this program be funded at $6 million for fiscal year 1978.

When we look at the program entitled "Minorities, Women, and Handicapped in Science," we realize funds in this program should be continued to expand participation by those three groups in the science activities. These three groups make up better than two-thirds of the population of this Nation. This program should assure an even distribution of these funds across thees areas.

We recommend that this program be funded at $3 million for fiscal year 1978, $1 million for each of the designated areas in this program.

Research initiation grants at minority institutions: This program continues to support research of faculty members at minority institutions that were founded to serve the education needs of ethnic minorities by providing research opportunities that would not have been otherwise possible.

This program should be continued in order to provide research opportunities for faculty members who are outside of mainstream opportunities.

We recommend that this program be funded at a level of $2 million for fiscal year 1978.

Computer technology in minority institutions: Advances in educational technology continue to impact upon the teaching/learning process. Much of the present classroom achievement is directly related to efforts put forth by the National Science Foundation. Research into the potential instructional value held by the electronic computer was a primary concern of the National Science Foundation; however, the 1968 program which concentrated on developing the potential of computer utilization in education might be considered less than impartial.

The Foundation was selective and it was also exclusive. Excluded were institutions enrolling large numbers of disadvantaged minorities. Computerized instruction and supportive computerized programs at predominantly black institutions are either inadequate or nonexistent.

The National Science Foundation's minority institutions science improvement program is not equipped to provide the support nor resources required to improve computer facilities, or, to train teaching faculty.

They should make provision for the inclusion of minority participation in such a thrust.

We support an initiative in this area at a level of $1 million.

Science manpower improvement offers hope in the area of fellowships and traineeships, student-oriented programs, minorities, women, and handicapped in science, and faculty improvement. Increased minority participation in each of these subareas will have a tremendous impact over time if supported at a reasonable level.

In summary, I will review what I have tried to say, and then I ask that you look at the appendix I have in the back, appendix B, and I will share some of my recollections on that and conclude.

In summary, existing programs hampered by present restraints must be allowed support which moves them against the current cutbacks in the present funding patterns.

The critical mass of productive black students will continue to come in the very near future from these institutions. These institutions must be strengthened in order that they might continue to provide that supportive encouragement which enables thousands of students to come to terms with their academic aspirations. The minority institutions must be utilized as a resource for expanding scientific manpower.

We hope that this committee will support the following minority efforts, namely:

	Million
1. Minority institutions science program	$10
2. Research initiatives and support for minorities	2
3. Minority centers for graduate education	6
4. Minority institutions traineeships	2
5. Minority graduate scholars	1.5
6. Minorities, women, and handicapped in science	3
7. Computer technology in minority institutions	1

The minimum minority thrust as represented by the above programs should not be viewed as limiting the participation of minorities within the ongoing programs and activities of the Foundation.

These figures represent flows to be expanded upwards with the report of the other august body. Minority participation across programs, minority institutions participation across programs, and expanded minority participation at policy levels and on policy boards within the National Science Foundation are the minimum expectations of black Americans.

Looking at appendix B which comes from the report done by the Southern Regional Educational Board, entitled "Black College Graduates and the Job Market in the South, 1980," the first table would give you some indication of what is happening in one region of the country.

If you look here you will find that predominantly black colleges according to this study are granted a total of 22,208 bachelor degrees in 1972–74.

Nonpredominantly black colleges granted to blacks in the South a total of 5,067 bachelor degress. You can see that these institutions

granted four times as many degrees as all of the other institutions in their region.

Let's highlight quickly the scientific-related areas. If you look at the biological sciences, predominantly black colleges at the bachelor's level granted 866 bachelor's degrees. The nonpredominantly black colleges granted 107 degrees. Computer science: black college, 59; nonblack, 25. Engineering: black college, 496 engineering degrees; nonblack, 106. Health professions: black colleges, 510 degrees; nonblack, 203. Mathematics, we find 594 for the black colleges; 142 for the nonblack. Physical sciences: 313 black and 101 for the nonblack college. social Sciences: 4,606 black and 902 for the nonblack colleges.

I would like to say when you look at table 2, you will find, for instance, in biology there are 88 master's degrees by the black colleges and only 18 by the nonblack colleges.

If you look through here, you will get a sense of the disparity in terms given out of the black colleges.

Mr. BOLAND. No doubt about it. The tables are fine tables.

Mr. FISHER. Table 5 says something about the underrepresentation and the favorable job outlook in the southern region.

On the next table it shows the black underrepresentation in engineering, accounting, computer science, public administration, hospital administration, medicine, dentistry, optometry, and health fields.

Most of those have a basis in the whole scientific area of the academic community.

This concludes my remarks.

Mr. Boland. Thank you very much, Mr. Fisher, for a fine presentation. We will put your complete statement in the record at this point.

[The complete statement follows:]

STATEMENT OF MILES MARK FISHER IV

INTRODUCTION

The National Association for Equal Opportunity in Higher Education represents the historically black colleges and universities of this Nation. These institutions continue to serve large numbers of black youth and similarly situated youth in this Nation while graduating more than 30,000 students annually with undergraduate, graduate, and professional degrees from an annual enrollment numbering more than 200,000 students.

With the apparent retrenchment that is underway with regards to equal educational opportunity with achievement, these institutions continue to produce the critical number of students necessary to offset this trend while sustaining and expanding this effort.

Declining minority enrollments at medical schools, dental schools, and in graduate opportunities signal a need for continuing the support of scientific programs for minorities if there is to be any broadening of participation in the future.

There is a critical need to increase the support of scientific activities which will expand the pool of prepared blacks and other minorities while broadening their participation in this Nation's scientific endeavors. Blacks still lag behind in their preparedness across science-oriented disciplines in American higher education and therefore are correspondingly underrepresented in all areas.

Unless the Federal Government takes a leadership role and provides the necessary resources both financial and human, the problem of underrepresentation and participation will be further exacerbated. It is in the national interest and in this Nation's future that this problem be addressed in the first year of the third century.

In a pluralistic society there is the need for greater participation by all of the citizenry, particularly in areas critical to the Nation's general well-being. Chronic neglect of black colleges and other minority institutions must be reversed in order to remedy this situation.

As the pool of minority students continues to expand, opportunities will be provided to enhance the maximum utilization of this pool, particularly in scientific areas of endeavor.

The National Science Foundation has played a vital role in helping to raise the level of consciousness as to the direction minority activities should take at the minority institutions. However, resources going to these institutions must continue to be increased to accommodate in part the chronic underfunding of bygone years and meet present needs of these institutions.

If the Nation's commitment is to equal opportunity and improved representation of minorities in all fields, the following programs continue to be vital in keeping alive the minority thrust.

MINORITY INSTITUTIONS SCIENCE IMPROVEMENT

Minority institutions continue to need further developing and strengthening of the in science departments as well as expanding their fields of study. Science continues to be valued in our society and therefore should be maximized at minority institutions. The majority of black research scientists have received their college education and introduction to scientific disciplines at these institutions. A strong focus on these institutions will expand this Nation's scientific manpower resource pool.

The broadened eligibility criteria for this program suggests that the needs of these institutions vis-a-vis the minority institutions science improvement program are far from being met. This program assists the science departments in broadening their curricula offerings in science related areas and therefore continues to be necessary.

Scientific preparation at the undergraduate level is the predicate for graduate and professional educational readiness if an adequate qualified pool is to be available. This program was initially funded at $5 million in fiscal year 1972. Fiscal year 1976 expenditures were $4.7 million. Fiscal year 1977 funding is proposed at $5.1 million. Fiscal year 1978 funding is proposed at $5 million. This level of funding does not take into consideration the inflation, expanding pool of eligible institutions and the new thrusts within institutions.

We recommend that this program be funded at a level of $10 million for fiscal year 1978.

MINORITY INSTITUTIONS GRADUATE TRAINEESHIPS

This program is designed to improve the access of graduate students attending historically minority colleges and universities to careers in science and technology at those institutions which offer the master's or higher degrees in the sciences and are most productive in the number of degrees awarded.

The chronic underrepresentation of blacks and minorities in the science areas supports the expansion of such a program at minority institutions.

The fiscal year 1978 budget continues to encourage the highest quality standards in students and institutions by providing support for fellowships, traineeships and other student-oriented activities, and by increasing the entry into science of women and minorities historically underrrepresented in these fields at a level of $1 million. The fiscal year 1977 budget provides $900,000 for this program as a continuation of the thrust that began in fiscal year 1974.

The House authorized that a floor of not less than $1,500,000 of its $3 million level of authorization be made available for a new program of minority graduate scholars as a subcategory under the minority institutions graduate traineeships. We are concerned that such a protective floor does not do justice to the minority institutions graduate traineeships which are given to minority institutions: This could be interpreted to mean that of the $3 million, $2 million could go to minority graduate scholars while leaving a million for the original program thrust. Minority institutions graduate programs need support, particularly those at the historically black colleges and universities.

We are aware that there was only 1 black student who received an NSF Fellows Award in 1975–76 out of a total of 550 awardees from a pool of 110 blacks. Sixteen ethnic group persons received awards and 9 Asian or Pacific Islanders, 6 Hispanic and 1 black/Negro, not of Hispanic origin, together with the 534 Caucasians/whites not of Hispanic origin.

If the usual 550 awards would be allocated irrespective of race, then an additional 25 students—if alloted over 3 years—or 75 students—if alloted for just one year—would be conferred to minority applicants who did not receive one of the original 550 awards. Based on NSF's 1975–76 record, a possible 1 black plus 25 or/75 minority persons would participate in this program depending upon the allocation of the awards.

We recommend two separate programs:

A. Continuation of the present minority institutions graduate traineeship program at a level of $2 million.

B. Establish the new program of minority graduate scholars independent of the above program at $1.5 million as suggested by the House in its authorization deliberations.

These programs should be line itemized separately so that there is no danger of an absorption of the minority institutions graduate traineeship program by the minority graduate scholars program.

MINORITY CENTERS FOR GRADUATE EDUCATION

This program is designed to promote increased participation by disadvantaged ethnic minorities in careers in science and engineering.

Several of these centers should be placed at the historically black colleges, namely: Howard University, Atlanta University Center, Meharry Medical College/Fisk/Tennesse State University, and expanded to other ecnters.

Serious consideration should be given to those minority institutions that have a track record of producing graduates rather than giving these centers to those institutions which are making promises but have not over time demonstrated a serious commitment to producing graduates.

This program should focus on building the capabilities of minority institutions in that the Foundation has bypassed these institutions in its past efforts at centers of excellence. This can be rectified at this time.

In fiscal year 1977, the Foundation plans to spend $800,000 on minority centers for graduate education. This is a good concept in principle. However, the proposed $1 million for fiscal year 1978 is not enough money to adequately move this program.

Other research money should be looked at within the funding base of the Foundation in order that this new initiative have the potential for long-term success based on the possibility of broad funding within the mainstream of funding.

We recommend that this program be funded at $6 million for fiscal year 1978.

MINORITIES, WOMEN, AND HANDICAPPED IN SCIENCE

Funds under this program should be continued to expand the participation by these three groups in science activities. These three groups make up better than two-thirds of the population. This program should insure an even distribution of these funds across these areas.

We recommend that this program be funded at $3 million for fiscal year 1978. A million for each of the designated areas in this program.

RESEARCH INITIATION GRANTS AT MINORITY INSTITUTIONS

This program continues to support research of faculty members at minority institutions that were founded to serve the educational needs of ethnic minorities by providing research opportunities that would not have been otherwise possible.

This program should be continued in order to provide research opportunities for faculty members who are outside of mainstream research opportunities.

We recommend that this program be funded at a level of $2 million for fiscal year 1978.

COMPUTER TECHNOLOGY IN MINORITY INSTITUTIONS

Advances in educational technology continue to impact upon the teaching learning process. Much of the present classroom achievement is directly related to efforts put forth by the National Science Foundation. Research into the potential instructional value held by the electronic computer was a primary concern of the National Science Foundation; however, the 1968 program which concentrated on developing the potential of computer utilization in education might be considered less than impartial.

The Foundation was selective and it was also exclusive. Excluded were institutions enrolling large numbers of disadvantaged minorities. Computerized instruction and supportive computerized programs at predominantly black institutions are either inadequate or nonexistent.

The National Science Foundation's minority institute science improvement program is not equipped to provide the support nor resources required to improve computer facilities, or, to train teaching faculty. It is necessary to underscore the pernicious need for the utilization of instructional technology simply to assess student entry behavior. The need to assess students so that faculty can redesign curriculum which meets the student where he is and respond to his cognitive style.

We support an initiative for this program at a level of $1 million.

Science manpower improvement offers hope in the area of fellowships and traineeships, student-oriented programs, minorities, women and handicapped in science and facility improvement. Increased minority participation in each of these subareas will have a tremendous impact over time if supported at a reasonable level.

IN SUMMARY

Existing programs hampered by present restraints must be allowed support which moves them against the current cutbacks in the present funding patterns.

The critical mass of productive black students will continue to come in the very near future from these institutions. These institutions must be strengthened in order that they might continue to provide that supportive encouragement which enables thousands of students to come to terms with their academic aspirations. The minority institutions must be utilized as a resource for expanding scientific manpower.

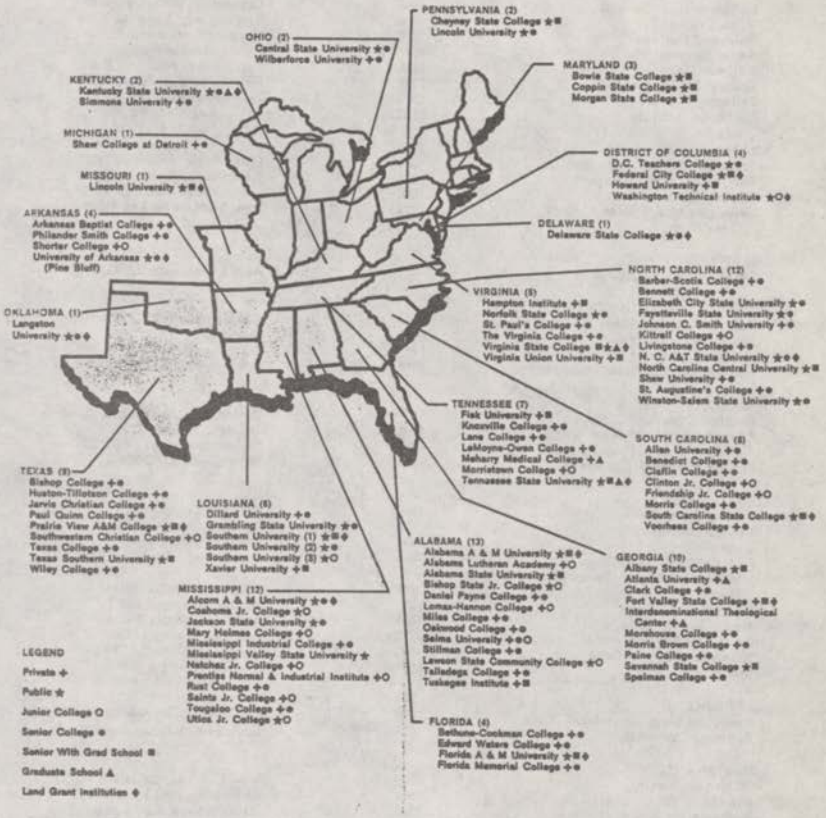
We hope that this committee will support the following minority efforts, namely:

	Million
(1) Minority institutions science program	$10
(2) Research initiatives and support for minorities	2
(3) Minority centers for graduate education	6
(4) Minority institutions traineeships	2
(5) Minority graduate scholars	1.5
(6) Minorities, women, and handicapped in science	3
(7) Computer technology in minority institutions	1

The minimum minority thrust as represented by the above programs should not be viewed as limiting the participation of minorities within the ongong programs and activities of the Foundation. These figures represent floors to be expanded upwards with the report of the other august body. Minority participation across programs, minority institutions participation across programs and expanded minority participation at policy levels and on policy boards within the National Science Foundation are the minimum expectations of black Americans.

APPENDIX A

BLACK JUNIOR, FOUR-YEAR, GRADUATE AND PROFESSIONAL INSTITUTIONS
Enrolling in excess of 200,000 students



INSTITUTION	FOUNDED	LOCATION
ALABAMA (12)		
Alabama A & M University	1875	Normal, Alabama 35762
Alabama Lutheran Academy	1922	Selma, Alabama 36701
Alabama State University	1874	Montgomery, Alabama 36101
Bishop State Jr. College	1965	Mobile, Alabama 36603
Daniel Payne College	1889	Birmingham, Alabama 35212
Lomax-Hannon College	1893	Greenville, Alabama 36067
Miles College	1905	Birmingham, Alabama 35064
Oakwood College	1896	Huntsville, Alabama 35806
Selma University	1878	Selma, Alabama 36701
Stillman College	1876	Tuscaloosa, Alabama 35401
Lawson St. Comm. Col.	1965	Birmingham, Alabama 35221
Talladega College	1867	Talladega, Alabama 35160
Tuskegee Institute	1881	Tuskegee, Alabama 36088
ARKANSAS (4)		
Arkansas Baptist College	1884	Little Rock, Arkansas 72202
Philander Smith College	1877	Little Rock, Arkansas 72203
Shorter College	1886	Little Rock, Arkansas 72114
University of Arkansas (Pine Bluff)	1873	Pine Bluff, Arkansas 71601
DELAWARE (1)		
Delaware State College	1891	Dover, Delaware 19901
DISTRICT OF COLUMBIA (4)		
D.C. Teachers College	1851	Washington, D.C. 20009
Federal City College	1968	Washington, D.C. 20001
Howard University	1867	Washington, D.C. 20001
Washington Technical Institute	1968	Washington, D.C. 20008
FLORIDA (4)		
Bethune-Cookman College	1904	Daytona Beach, Florida 32015
Edward Waters College	1866	Jackson, Florida 32209
Florida A & M University	1887	Tallahassee, Florida 32307
Florida Memorial College	1879	Miami, Florida 33054
GEORGIA (10)		
Albany State College	1903	Albany, Georgia 31705
Atlanta University	1865	Atlanta, Georgia 30314
Clark College	1869	Atlanta, Georgia 30314
Fort Valley State College	1895	Fort Valley, Georgia 31030
Interdenominational Theological Center	1958	Atlanta, Georgia 30314
Morehouse College	1867	Atlanta, Georgia 30314
Morris Brown College	1881	Atlanta, Georgia 30314
Paine College	1882	Augusta, Georgia 30901
Savannah State College	1890	Savannah, Georgia 31400
Spelman College	1881	Atlanta, Georgia 30314
KENTUCKY (2)		
Kentucky State University	1886	Frankfort, Kentucky 40601
Simmons University	1879	Louisville, Kentucky 40210
LOUISIANA (6)		
Dillard University	1869	New Orleans, Louisiana 70122
Grambling State University	1901	Grambling, Louisiana 71245
Southern University (1)	1880	Baton Rouge, Louisiana 70813
Southern University (2)	1939	New Orleans, Louisiana 70813
Southern University (3)	1964	Shreveport, Louisiana
Xavier University	1925	New Orleans, Louisiana 70125
MARYLAND (3)		
Bowie State College	1865	Bowie, Maryland 20715
Coppin State College	1900	Baltimore, Maryland 21216
Morgan State College	1867	Baltimore, Maryland 21212
MICHIGAN (1)		
Shaw College at Detroit	1936	Detroit, Michigan 48202
MISSISSIPPI (12)		
Alcorn A & M University	1871	Lorman, Mississippi 39096
Coahoma Jr. College	1949	Clarksdale, Mississippi 38614
Jackson State University	1877	Jackson, Mississippi 39217

INSTITUTION	FOUNDED	LOCATION
Mary Holmes College	1892	West Point, Mississippi 39773
Mississippi Industrial College	1905	Holly Springs, Mississippi 38635
Mississippi Valley State University	1950	Itta Bena, Mississippi 38941
Natchez Jr. College	1884	Natchez, Mississippi 39120
Prentiss Normal & Industrial Institute	1907	Prentiss, Mississippi 39474
Rust College	1866	Holly Springs, Mississippi 38635
Saints Jr. College	1954	Lexington, Mississippi 39095
Tougaloo College	1869	Tougaloo, Mississippi 39175
Utica Jr. College	1903	Utica, Mississippi 39175
MISSOURI (1)		
Lincoln University	1866	Jefferson City, Missouri 65101
NORTH CAROLINA (12)		
Barber-Scotia College	1867	Concord, North Carolina 28025
Bennett College	1873	Greensboro, North Carolina 27402
Elizabeth City State University	1891	Elizabeth City, North Carolina 27909
Fayetteville State University	1877	Fayetteville, North Carolina 28301
Johnson C. Smith University	1867	Charlotte, North Carolina 28208
Kittrell College	1886	Kittrell, North Carolina 27544
Livingstone College	1879	Salisbury, North Carolina 28144
N. C. A&T State University	1891	Greensboro, North Carolina 27411
North Carolina Central University	1910	Durham, North Carolina 27707
Shaw University	1865	Raleigh, North Carolina 27602
St. Augustine's College	1867	Raleigh, North Carolina 27602
Winston-Salem State University	1892	Winston-Salem, North Carolina 27102
OHIO (2)		
Central State University	1887	Wilberforce, Ohio 45384
Wilberforce University	1856	Wilberforce, Ohio 45384
OKLAHOMA (1)		
Langston University	1897	Langston, Oklahoma 73050
PENNSYLVANIA (2)		
Cheyney State College	1837	Cheyney, Pennsylvania 19319
Lincoln University	1854	Lincoln University, Pennsylvania 19352
SOUTH CAROLINA (8)		
Allen University	1870	Columbia, South Carolina 29204
Benedict College	1870	Columbia, South Carolina 29204
Claflin College	1869	Orangeburg, South Carolina 29115
Clinton Jr. College	1894	Rock Hill, South Carolina
Friendship Jr. College	1891	Rock Hill, South Carolina 29732
Morris College	1908	Sumter, South Carolina 29150
South Carolina State College	1896	Orangeburg, South Carolina 29115
Voorhees College	1897	Denmark, South Carolina 29042
TENNESSEE (7)		
Fisk University	1866	Nashville, Tennessee 37203
Knoxville College	1875	Knoxville, Tennessee 37921
Lane College	1882	Jackson, Tennessee 38301
LeMoyne-Owen College	1870	Memphis, Tennessee 38126
Meharry Medical College	1876	Nashville, Tennessee 37208
Morristown College	1881	Morristown, Tennessee 37814
Tennessee State University	1909	Nashville, Tennessee 37203
TEXAS (9)		
Bishop College	1881	Dallas, Texas 75241
Huston-Tillotson College	1876	Austin, Texas 78702
Jarvis Christian College	1912	Hawkins, Texas 75765
Paul Quinn College	1872	Waco, Texas 76703
Prairie View A&M College	1876	Prairie View, Texas
Southwestern Christian College	1949	Terrell, Texas 75160
Texas College	1894	Tyler, Texas 75703
Texas Southern University	1947	Houston, Texas 77004
Wiley College	1873	Marshall, Texas 75670
VIRGINIA (6)		
Hampton Institute	1868	Hampton, Virginia 23368
Norfolk State College	1935	Norfolk, Virginia 23504
St. Paul's College	1888	Lawrenceville, Virginia 23868
The Virginia College	1888	Lynchburg, Virginia 24501
Virginia State College	1882	Petersburg, Virginia 23803
Virginia Union University	1865	Richmond, Virginia 23220

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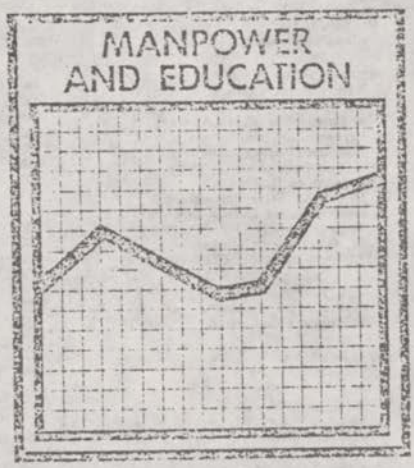
APPENDIX B



Black College Graduates and the Job Market in the South, 1980

SOUTHERN REGIONAL EDUCATION BOARD

Table 1

Degrees to Blacks, Predominantly and Non-Predominantly Black Colleges, Southern Region, 1973-74 (Bachelor's Degrees)

	Predominantly Black Colleges			Non-Predominantly Black Colleges*		
	Male	Female	Total	Male	Female	Total
Agriculture	209	5	214	10	0	10
Architecture	22	1	23	18	2	20
Biological Sciences	451	415	866	74	83	157
Business & Management, less Accounting	2,080	1,263	3,343	540	220	760
Accounting	357	250	607	91	25	116
Communications	25	49	74	36	25	61
Computer Sciences	37	22	59	19	6	25
Education	1,879	5,525	7,404	482	936	1,418
Engineering	489	7	496	85	21	106
Fine & Applied Arts	142	138	280	108	69	177
Foreign Languages	29	132	161	17	24	41
Health Professions	76	434	510	18	185	203
Home Economics	3	322	325	2	104	106
Letters	188	717	905	117	237	354
Library Sciences	1	25	26	2	8	10
Mathematics	297	297	594	71	71	142
Physical Sciences	234	79	313	67	34	101
Psychology	192	395	587	83	114	197
Public Affairs	255	446	701	43	48	91
Social Sciences & Area Studies	2,349	2,257	4,606	313	639	952
Other	80	34	114	18	2	20
Total	9,395	12,813	22,208	2,214	2,853	5,067

*Estimated

Table 2

Degrees to Blacks, Predominantly and Non-Predominantly Black Colleges, Southern Region, 1973-74 (Master's Degrees)

	Predominantly Black Colleges			Non-Predominantly Black Colleges*		
	Male	Female	Total	Male	Female	Total
Agriculture	30	2	32	5	0	5
Architecture	19	4	23	0	0	0
Biological Sciences	43	45	88	9	9	18
Business & Management, less Accounting	148	35	183	90	55	145
Accounting	0	0	0	8	4	12
Communications	0	0	0	3	9	12
Computer Sciences	0	0	0	3	0	3
Education	1,358	2,480	3,838	240	339	579
Engineering	10	0	10	18	0	18
Fine & Applied Arts	6	12	18	30	18	48
Foreign Languages	4	4	8	6	10	16
Health Professions	1	1	2	0	13	13
Home Economics	0	5	5	0	17	17
Letters	18	58	76	11	59	70
Library Sciences	19	110	129	0	5	5
Mathematics	16	15	31	34	9	43
Physical Sciences	27	13	40	14	2	16
Psychology	40	73	113	3	6	9
Public Affairs	24	51	75	50	123	173
Social Sciences & Area Studies	129	113	242	62	20	82
Other	1	3	4	9	6	15
Total	1,892	3,025	4,917	595	704	1,299

*Estimated

Table 5

Favorable Job Outlook and Black Underrepresentation, Southern Region, 1980

	Total Projected Average Annual Openings, 1975-80 For College Graduates	Southern Region Total Projected Annual Market-Ready College Graduates, 1980	Black Projected Market-Ready Annual College Graduates 1980	Index of Black Representation
Engineering	10,900-11,500	11,800	500-550	39
Accounting	5,700- 6,900	6,650	550-600	72
Library Science	2,400- 2,600	1,500-1,900	100-150	79
Computer Sciences	2,600- 3,200	1,100	70-100	58
Urban and Regional Planning	200- 300	200	*	75
Medical Laboratory Technology	2,100- 2,500	2,000	150-200	73
Hospital and Health Care Administration	1,200- 1,500	500	*	**
Nursing	4,200- 5,400	4,900	350-400	62
Dentistry	1,500- 1,690	1,400	55- 60	34
Medical and Osteopathy	4,100- 5,500	4,000	200-250	49
Veterinary Medicine	750- 800	650	*	60
Optometry	200- 300	300	NA	NA
Occupational and Physical Therapy	1,500- 2,000	500	*	**
Dental Hygiene	200- 300	300	*	**
Medical Record Librarianship	300	100	*	**

*Less than 50
**Less than 10

Figure 1

Supply and Demand Balances and Representation of Blacks for Selected Fields of Study

	Blacks Underrepresented	Blacks Overrepresented*
Total Demand Exceeds Total Supply of Graduates	Engineering Accounting Computer Sciences Public Administration Hospital Administration Medicine Dentistry Veterinary Medicine Nursing Optometry Other Health Fields	Social Work Business and Management
Total Supply Exceeds Total Demand For Graduates	Law Communications Library Sciences Foreign Languages Fine & Applied Arts Letters Psychology	Education Social Sciences

*"Overrepresented" refers only to the average black representation in all fields of study, and not to the actual percentage of black representation in employment.

Summary and Conclusions

Supply-demand balances of projected graduates in a discipline and relevant occupational openings are important for black college students as they weigh their choice of majors. Although affirmative action programs to overcome black underrepresentation in most professional-technical and managerial occupations may benefit black college graduates, the job search will be easier still for those having degrees in fields where job openings exceed numbers of emerging graduates of both races.

Blacks have made progress in recent years through greater participation in higher education and wider representation over an array of college majors. For example, the prior concentration of black college students in the field of education has been reduced, and their representation in engineering has grown recently. Yet more dispersion across fields of study should occur if black college graduates wish to take full advantage of opportunities created by labor market conditions.

Academic majors which appear promising, and where black students have been considerably underrepresented, include engineering, accounting, computer sciences and the health fields. Although many black students complete two-year programs in the allied health fields, employment opportunities will also be favorable for those completing four-year degrees. Efforts to increase black participation in the health professions (medicine, dentistry, veterinary medicine, optometry and podiatry) should continue not only from an equity viewpoint, but also because of excellent opportunities in the job market.

Business and management is another excellent field in which blacks are urged to major in all the various subspecialties. Blacks are not as seriously underrepresented in the business-management academic areas as they once were, but there is ample opportunity for more to shift to such studies without danger of overcrowding the field. Administrative capabilities will be greatly sought after in all enterprises, so that specialized administrative fields (hospital and health care, public, hotel and restaurant, etc.) appear favorable from a job market perspective.

Education and the social sciences, both areas in which blacks traditionally have tended to concentrate, face poor employment prospects for all races. There are some specialties in the social sciences, such as economics, where the outlook is better, but blacks have tended to major in sociology. The popularity of social work

among black students has made this a field in which they have a higher employment ratio than they do in the population generally. Social work may again become a promising field in terms of job opportunities if governmental funding policies resume the trend of the late 1960's and early 1970's.

Many of the fields in which blacks have been underrepresented and for which the employment outlook is favorable are academic disciplines requiring a strong background in mathematics. Engineering, accounting, computer sciences and economics all have favorable employment prospects, and are fields in which mathematics are applied. It is easier for a student to embark in one of these areas if he or she comes prepared with a strong mathematical background, obtained at the high school and early college levels. It is harder to take advantage of these promising career options if a student must first "catch up" in math. Therefore, black students are urged to take rigorous mathematics courses at the high school and early college levels in order to improve their options to include a variety of fields with good employment opportunities.

The job outlook is not the only consideration in choosing fields of study for black students, any more than it is for white students. Students of all races have other objectives to be satisfied from higher education. Therefore, the humanities will have takers regardless of what the job outlook may be. Students who wish to fulfill non-vocational objectives by majoring in the liberal arts are certainly not to be discouraged from such plans by the projections of manpower-related reports. Those who wish to combine non-vocational objectives with an ounce of practicality are urged to do so by including skills courses that are readily applied to employment. In some instances double majors may be required, a combination of major and unrelated minor, or even an extra quarter or semester in college. This extra effort may be the price required in pursuing education for its own sake, while hedging to support practical needs.

Mr. COUGHLIN. Thank you very much.

I have two fine institutions in my State of Pennsylvania, and I have worked with those institutions since my days in the State Legislature, I understand the message you are bringing to us. It is an important one, and I assure you of our support.

Thank you very much.

Mr. BOLAND. Thank you, Mr. Fisher.

Mr. FISHER. Thank you.

NSF RESEARCH APPLIED TO NATIONAL NEEDS

WITNESSES

HON. VINCENT A. CIANCI, JR., MAYOR, PROVIDENCE, R.I.
HON. GEORGE ROBERTS, SPEAKER OF THE HOUSE, N.H.
WILLIAM MURPHY, SELECTMAN, CHELMSFORD, MASS
WILLIAM J. JONES, ENERGY LABORATORY, MIT
BOB COX, DIRECTOR, NEW ENGLAND INNOVATION GROUP

Mr. BOLAND. We turn now to the mayor of Providence, Vincent A. Cianci, and Mr. George Roberts, and Mr. Murphy, who will speak for the Management Committee of the New England Innovation Group.

Mayor CIANCI. The New England Innovation Group has been funded by the National Science Foundation; and the bottom line is: to marry the scientist and the decisionmaker. It has been put together by the NSF, and we have number of these groups throughout the country. The New England Innovation Group is unique because it covers a six-State area.

Mr. BOLAND. You will be the spokesman Mayor Cianci.

Mayor CIANCI. Good morning. I'm Vincent A. Cianci, Jr., mayor of the city of Providence, R.I., second largest city in New England.

I am appearing here today in my capacity as chairman of the New England Innovation Group's Policy Development Committee.

The New England Innovation Group is a six-State science and technology program initiated in September 1975 by the Rhode Island League of Cities and Towns in conjunction with the U.S. Department of Commerce, Office of Minority Business Enterprise; and the Naval Underwater Systems Center.

The primary intellectual leadership and financial support for this unique intergovernmental science and public technology program has come from the National Science Foundation's research applied to national needs program.

Three other members of the New England Innovation Group's Policy Development Committee are with me today to tell you about our experiences and the value of the RANN program to meeting the needs of New England's local and State governments.

First, let me introduce Mr. William R. Murphy, selectman, from Chelmsford, Mass., president of the Massachusetts League of Cities and Towns, and vice chairman of the New England Innovation Group's Policy Development Committee.

Next, I would like to introduce Hon. George Roberts, Speaker of the New Hampshire House of Representatives, and an active participant on the Innovation Group's Policy Development Committee.

Representing the science and technology capabilities on our committee is Mr. William J. Jones, who is on the staff of the energy laboratory at the Massachusetts Institute of Technology, located in Cambridge, Mass. Mr. Jones has been one of our most valuable resources, particularly in energy conservation.

Finally, I would like to introduce Bob Cox, the director of the New England Innovation Group, who has an extensive background in community and economic development at all levels of government, and some private sector experience as well.

We are most pleased to be here today and to share with the committee the experiences that we have had in the establishment of and the workings of the New England Innovation Group.

On March 26 and 27, I had the privilege, along with a representative from Pawtucket Mayor Lynch's office, and Bob Cox, to participate in the first innovation group conference in San Francisco. I was most impressed with the activities that are being undertaken with RANN support at the national, regional, and local government levels in all sections of this country.

As chairman of the New England Innovation Group's Policy Development Committee, I have been deeply committed to this marriage of the politician and the scientist, the professional and the administrator, that calls upon the best thinking available to solve today's problems with today's technology. It seems to me that if we fail to utilize the expertise that is willing to be of service to our fellow citizens, then we fail to meet our responsibilities as public servants, and as the leaders of our communities.

We have tried to condense our New England Innovation Group's story on a few charts. The first one is in front of you and gives the pertinent facts about this six-state region. Situated as we are in the Northeastern section of the country, we have significant problems that need our attention and our resourcefulness. The spending power in this region is enormous.

I was very much surprised at the $13.6 billion figure representing the expenditures of the six states and nearly 1,600 local governments during the last fiscal year. This represents a significant public sector market, and is comparable to the spending power of the 27 major cities with over 500,000 population and the 6 major urban counties which are cooperating in the RANN-assisted urban consortium. Those 34 major metropolitan areas have public expenditures totaling $20 billion. RANN funds are trying to influence the productivity of these local- and State-generated resources, and we hope that our work in New England will be a model for the rest of the country.

The problems that plague us are in most instances not new and the primary reason for the Innovation Group's existence is self-evident: self-help by sharing our problems and our capabilities. In late 1976, the Innovation Group's Policy Development Committee came into being to help share with one another in the problem-solving capacity that made partners of politicians and the scientists, and the host of those dedicated people, whose research reports were needed more in the streets of our cities than in the packed confines of our libraries.

Our reason for being in front of you today is to tell you the progress we are making on turning the underutilized knowledge and technical capabilities of our region and our country, toward the solution of a set of critical problems. All of this, of course, means support in a unique and unmatched way by the RANN funds.

The next three charts highlight the problems and opportunities available in each of our six States. I think it is important to note that the Innovation Group has devoted very little of its RANN resources for assessment studies. From the very beginning, we felt that organizations such as the New England Regional Commission, the Federal Regional Council, the respective State planning and development agencies, and the local government officials themselves, had a clear idea of what were their needs and opportunities.

What has been lacking is the ability to link the user needs with the scientific, financial, and institutional resources necessary to solve problems.

The first chart compares our southernmost State, Connecticut, with the northeasternmost one, Maine. Please note that we have attempted to highlight not only the problems but the opportunities that exist in each State. Connecticut's situation is that of a highly industrialized State similar to the economies found in Rhode Island and Massachusetts.

Note the number of Connecticut employees impacted by energy costs in that State's major industrial sectors. Also, the age of their physical plant and productive equipment in Connecticut is quite old. This relates to their efficiency and their ability to compete in regional, national, and world markets. One of the advantages in Connecticut is the existence of the Connecticut Product Development Corp., and the New England Innovation Group hopes to link its activities to those of that unique institution.

Bob Cox informs me that U.S. Department of Commerce's Economic Development Administration assisted in the organization of the Connecticut Product Development Corp. I think that type of investment is a good use of Federal funds.

The situation in Maine is summarized in terms of per capita income; its location is at the end of the oil distribution system, and the limited innovation and technological development in much of its industry. However, we are all aware of Maine's magnificent shoreline, and the opportunities that exist there for its sound development as one of our great national scenic and economic resources.

The next chart highlights the neighboring States of New Hampshire and Vermont. There has been a great deal of debate about the location of industry in these two States, and how those types of investments can be made compatible with their natural beauty and resources.

The next chart summarizes some characteristics about Massachusetts and Rhode Island. I think the urban development situation in Massachusetts deserves comment, since it is typical of the situation confronted by all of us who are trying to redevelop and revitalize New England's older cities, whether it's Bridgeport, Conn.; Worcester, Mass.; or Providence, R.I.

We are all confronted with the serious problems of job generation, the cost of municipal services, and the ability to integrate resources and capabilities at Federal, State, and local levels with those from the private sector, in order to keep these urban places as viable economic centers, and as satisfactory communities for people to live in, and to raise their families.

I call your attention to the jewelry industry problem in Rhode Island as just one of the serious economic development issues which the New England Innovation Group hopes to confront. The solutions to that industry's problems—or those of the finishing industry—are not going to be resolved by any one public or private agency. What is necessary is a means for networking the resources available in the region with the needs of its local and State governments. This networking opportunity is made possible through RANN-type funding, and those of us associated with the New England Innovation Group think it is a unique and very valuable type of Federal assistance.

The next chart depicts the New England Innovation Group's organizational arrangements. At the present time, we have 15 members representing all of the New England States. We intend to expand our membership to 25 by soliciting the participation of private sector representatives with experience in marketing, finance, and technology. We have attempted to establish a working relationship with the New England Regional Commission which, I might say, endorsed the creation of the Innovation Group in June of 1975.

You should find it of interest that of the 10 Federal regional councils around the country, the New England council is the only one having a technology-sharing work item in its program. This was brought about through the cooperation of the RANN people, the Federal Regional Council and its staff, and of course, the New England Innovation Group staff.

The thrust of NEIG's operations are in two major areas: program development and project implementation. At the present time, we are funding a science and technology advisor with the Connecticut Conference of Municipalities, and with the Massachusetts League of Cities and Towns.

Speaker Roberts is seeking a research administrator to guide the activities of his newly created science and technology committee in the New Hampshire House of Representatives. To link resources such as those found in the Federal laboratory system, the universities, and the private sector is the primary function of these science and technology advisors.

The innovation group's staff in Providence will provide that backup capability and, most importantly, the linkages to public and private agencies, so that the commercialization of this science and technology can become a reality and not just a promise.

Since September 1975, the New England Innovation Group activities have been directed toward establishing an agenda of critical problems based upon the needs of local and State officials. The chart now in front of me highlights the seven major areas which have been identified and endorsed by NEIG's Policy Development Committee.

I think it is important to note that we have not identified individual Federal, State, or local agencies but, rather, we have attempted to deal

with the functional needs of our region, in the hope that the innovation group can link these various resources together in a problem-solving capability. I am convinced that the RANN program is the only one that permits this unique and innovative crosscutting capability which, we feel, is so essential to the solution of problems, rather than just their identification and study.

Briefly, most of our efforts during our planning phase have been for energy conservation. Mr. Jones is prepared to answer your questions about the use of infrared thermography and how it can contribute to the creation of an energy management industry. Previously, I discussed the problems of the jewelry industry. We share a similar interest concerning the fishing industry, and the impact of the 200-mile limit on the economics of that important New England-based industry.

The economic development focus of the New England Innovation Group is to save existing jobs, and to create new jobs and businesses. Related to this is our interest in resource recovery, and the testing and implementing of new technologies. One such technology is under development at the Army Natick Laboratory; another has its origins in the private sector through some unique applications of molten salt. In each case, we hope that the commercialization of these technologies will solve a critical New England waste management problem, and, at the same time, recapture these resources as new sources of energy, food, and chemicals.

Our interest in public works management is related to the simple fact that, at the local government level, education, public safety, and public works are the primary services being supported from local and State tax revenue. Three years ago the National Science Foundation's RANN program financed a study of improved public works management procedures in cooperation with the American Public Works Association. That report has not been widely implemented, and it was our feeling that New England's local governments, many without full-time professional management, could benefit from the introduction of these new maintenance and management systems. The University of Pittsburgh and the Navy Facilities Engineering Command are collaborating with the innovation group in the development of this technology utilization project.

Coastal zone development and management is another area where many of the local governments in New England lack the information base and management capabilities to effectively participate in coastal zone management programs. This is an emerging area of importance; and we hope, during our first operational year, to collaborate with the local, State, and Federal agencies in meeting this critical area of need.

Many of the RANN-assisted intergovernmental science and public technology activities up to now have been in the areas of public health and safety. It was brought to my attention in San Francisco that many of these new technologies have been made available to individual city or State agencies, but there has been limited commercialization of these activities. We hope to close that gap.

Our final area of interest, which is most important to me, is public policy management assistance. The next chart summarizes the results of a 1975 report prepared by the National Science Foundation, and Office of Management and Budget study committee on policy management assistance. What I want to note here is the critical need to relate policy, resource, and program management activities together. RANN-

assisted organizations, such as the New England Innovation Group, provide just this opportunity.

Up to now, it has been my experience that most Federal programs are directed toward specific activities such as those shown here. But as a mayor of a city of 180,000, I know that the activities identified under policy management and resource management are even more important to elected officials, if we are to make the best use of our limited public resources. The uncoordinated implementation of specific programs, without adequate institutional support in the form of policy and resource management capabilities, is shortsighted.

Once again, I would emphasize that to the best of my knowledge, the RANN funds are the most crucial in supporting elected officials in managing the full range of issues and resources which we must integrate. The New England Innovation Group will be actively engaged in the process of strengthening the public management capabilities highlighted in our final chart. The RANN program recognizes the critical importance of these planning, budgeting, and coordinating functions for which we are appreciative.

That there is much still to do in the New England region is clear to almost every resident and visitor to our area of the country. Some of these problems will be handled well with the sponsorship of the New England Innovation Group's members, working side by side with one another in this unique RANN-sponsored, highly exciting partnership. Though we may often find ourselves talking a different language because our immediate constituencies may seem to require different metaphors and different responses, our eyes are both on the same targets, and our goal is to get the job done quickly and efficiently. The impossible task, as the saying goes, may take a little longer.

But we have not come here to stand in front of you and say that all we are doing is wonderful, and our New England Innovation Group is well satisfied with itself. We continue to be concerned that a better relationship come into existence between the Federal agencies and the innovation groups sponsored by RANN. When you consider that there are 38,000 local units of government in the United States, we believe the RANN budget should be increased twofold. What the New England Innovation Group has done thus far in its brief existence, has been done with less than $100,000 of funding. This is the mark of good management.

It seems quite obvious to me that with substantially more funding, we could make an even greater dent in the problems that confront us and perhaps begin to develop the new technology to solve our problems; and as a result, begin to create the significantly large numbers of jobs that may well follow the implementation of the technological methods that we employ.

My point is that we do have the problems, to be sure, but we also have the technical expertise and political leadership to solve them, given the necessary funding; the utilization of the best minds in the area to solve them; and the total cooperation so clearly organized by an innovation group, with continued support from RANN. And with the sustained development of our innovation group system, to integrate all resources for problem resolution, we can become the great Nation of great States, regions, and cities, to provide "the good life" for every American. Thanks to RANN, we're on our way.

[The information previously referenced follows:]

NEW ENGLAND FACTS

STATE	POPULATION	UNITS OF LOCAL GOVT.	EXPENDITURES (BILLIONS OF DOLLARS) (A) STATE	(B) LOCAL
CONNECTICUT	3,032,217	169	1.70	1.15
MAINE	993,700	496	0.50	0.40
MASSACHUSETTS	5,689,170	351	4.00	4.00
NEW HAMPSHIRE	817,275	234	0.40	0.30
RHODE ISLAND	964,971	39	0.45	0.35
VERMONT	444,330	300	0.20	0.15
TOTAL	11,941,663	1,589	7.25	6.35

PROBLEMS AND OPPORTUNITIES

CONNECTICUT

rgy - Impact of increased energy costs unequally distributed. Hardest hit were textile, paper and allied products, rubber and plastics and stone, clay and glass, which collectively emply 50,000.

olescence - More than half of the plant and equipment is more than 25 years old.

nnecticut Product Development Corporation - $10 million in general obligation bonds approved in May 1975 to facilitate new product development.

MAINE

Per capita income - lowest in Region.

Energy - At the end of the oil distribution system.

Economy - Industry ranked 50th in terms of technological development.

The Coast - 3,500 mile shoreline promises new opportunities in fisheries, tourism, energy generation.

SOURCE: NEW ENGLAND REGIONAL COMMISSION - 1976

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PROBLEMS AND OPPORTUNITIES

NEW HAMPSHIRE

onomy - Best economic performance in Region when measured by ability to employ persons.

ıtural Beauty - Serves as resource for recreation and leisure time activity.

ıges - At $3.90 per hour, average hourly earnings are far below national average of $4.73 and New England average of $4.36.

VERMONT

Economy - Recreational services continue to be important.

Transportation - Great highway and weak rail networks.

Industry - Many branch plants of national firms such as GE, IBM, Colt Industries, Boise-Cascade, Union Carbide and Minnesota Mining and Manufacturing.

SOURCE: NEW ENGLAND REGIONAL COMMISSION - 1976

PROBLEMS AND OPPORTUNITIES

MASSACHUSETTS

Wages - Every year since 1963 the average manufacturing wage has been less than the national average.

Energy - Pays 8% more than the Nation as a whole.

Urban Development - Some older urban centers have created fully-serviced, in-town industrial parks with excellent highway and rail access.

RHODE ISLAND

Unemployment - Current rate exceeds ~~15%~~ 8%

Jewelry Industry - Pre-treatment of liquid wastes to comply with EPA regulations by 1 July 1977 will have a profound effect on this industry of 900 firms averaging 25 employees per firm.

Surplus Navy Land - 2,500 acres of prime industrial land with air, rail and deep-water facilities.

SOURCE: NEW ENGLAND REGIONAL COMMISSION - 1976

NEIG'S MAJOR AREAS OF INTEREST

ENERGY CONSERVATION

- IDENTIFY EXCESS HEAT LOSS IN PUBLIC BUILDINGS THROUGH INFRARED REMOTE SENSING TECHNOLOGY
- ASSIST IN THE CORRECTION OF BUILDING AND HEATING SYSTEM DEFICIENCIES IDENTIFIED
- CREATE NEW "ENERGY MANAGEMENT" JOBS AND BUSINESS

ECONOMIC DEVELOPMENT

- ASSIST THE JEWELRY INDUSTRY IN THE REGION TO SOLVE EPA AND OSHA PROBLEMS
- DEVELOP ENVIRONMENTALLY ACCEPTABLE AND ECONOMICALLY FEASIBLE SOLUTIONS

RESOURCE RECOVERY

- IDENTIFY, TEST AND IMPLEMENT NEW TECHNOLOGIES
- "RECAPTURE" RESOURCES AS NEW SOURCES OF ENERGY, FOOD AND CHEMICALS

PUBLIC WORKS MANAGEMENT

- INTRODUCE NEW MAINTENANCE AND MANGEMENT SYSTEMS (NSF-APWA 1974 REPORT)
- IMPROVE PUBLIC SERVICE "PRODUCTIVITY"

COASTAL ZONE DEVELOPMENT AND MANAGEMENT

- ESTABLISH AN INFORMATION AND MANAGEMENT ASSISTANCE PROGRAM FOR THE FIVE COASTAL STATES

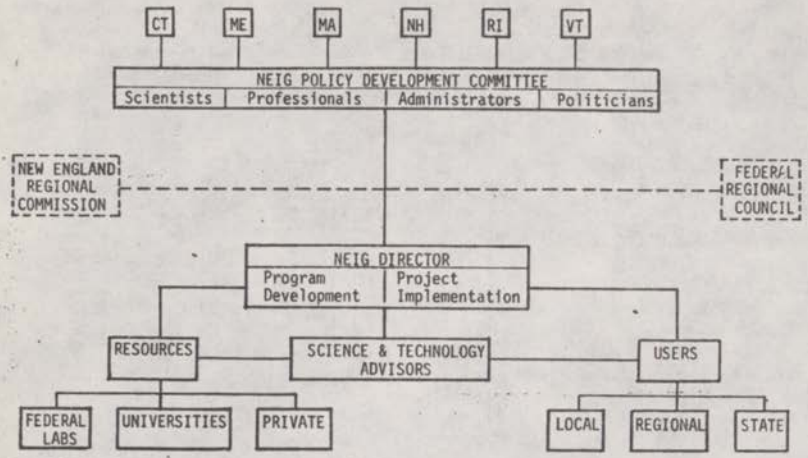
PUBLIC HEALTH AND SAFETY

- ADAPT AND COMMERCIALIZE EXISTING TECHNOLOGY FOR USE BY POLICE, FIRE AND PUBLIC HEALTH ORGANIZATIONS

PUBLIC POLICY MANAGEMENT ASSISTANCE

- ASSIST LOCAL, STATE, REGIONAL AGENCIES AND SCHOOL DISTRICTS IN PROGRAM ORGANIZATION, RESOURCE MANAGEMENT AND EVALUATION
- USE THE RESOURCES OF UNIVERSITIES, FEDERAL R&D CENTERS AND PRIVATE CONSULTANTS

NEW ENGLAND INNOVATION GROUP . . . A REGIONAL MODEL



OBJECTIVES:

1. Assist local and state governments to systematically assess their operations, define their needs, and establish priorities.
2. Stimulate the interest of federal, educational and industrial science and technology resources in the needs of local and state governments.
3. Coordinate and disseminate user needs to appropriate public and private technological resources.
4. Assist the users in adapting or modifying scientific and technological knowledge to meet their needs.
5. Aggregate user requirements for achieving economy of scale and cost-benefit savings.
6. Encourage the commercialization of scientific and technical knowledge in a manner which will enhance both the economy of the region and the quality of life for its citizens.
7. Develop financing arrangements where capital is the barrier to innovation.
8. Expand local, state and federal cooperation in policy development and implementation.

THE PUBLIC MANAGEMENT NEEDS

OF LOCAL GOVERNMENT ELECTED OFFICIALS

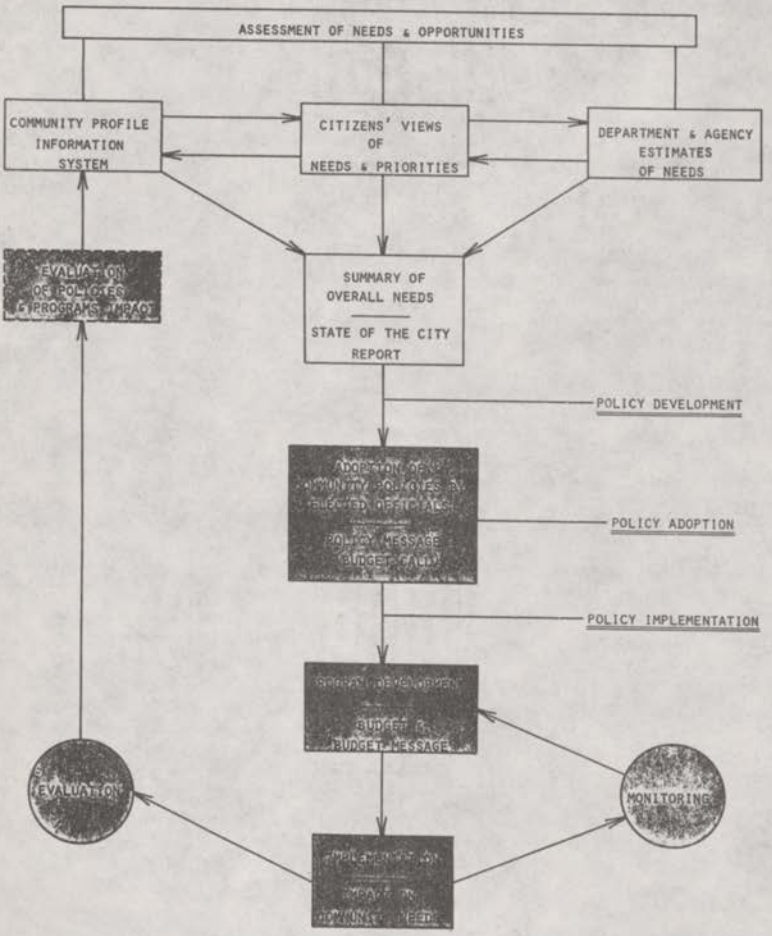
Ranking	Policy Management
4	Relations with county
7	Planning and zoning
8	Citizen participation
10	Use of general revenue sharing
14	Relations with state
18	Relations with federal government
21	Relations with region
22	City government reorganization

Ranking	Resource Management
5	Fiscal/tax policies
15	Upgrading city staff
19	Collective bargaining

Ranking	Program Management
1	Refuse and solid waste
2	Law enforcement
3	Streets and highways
6	Downtown development
9	Public transit
11	Parks and recreation
12	Energy shortage
13	Housing
16	Economic development
17	Water quality
20	Manpower development

SOURCE: NSF-OMB STUDY COMMITTEE ON POLICY MGT. ASSISTANCE
JULY 1975

THE PUBLIC POLICY MANAGEMENT PROCESS



Mr. BOLAND. Would you say that perhaps the money that funds the New England Commission would be better used by the New England Innovation Group?

Mayor CIANCI. I would say the New England Innovation Group needs more money.

Mr. BOLAND. If you had a choice between which one survives, which would you select?

Mayor CIANCI. I would say the New England Innovation Group.

Mr. BOLAND. As I read this fine statement, Mr. Mayor, and as I followed you while you were reading it, I get the impression that you probably are attempting to meet and solve the problems a little quicker than the regional commission.

Mayor CIANCI. I would have to agree that we are a little bit quicker in the sense that we—just to give you an example of what we are trying to do, as mayor, and the local government officials such as the selectman I have with me today, are on the front lines and get the problem.

In the city of Providence last year we had 9,600 calls from our call boxes in our fire system. I don't know if you have any idea of how many of those were false alarms—8,800. It cost us $225 to send out a response each time an alarm was called in. You could argue that if you multiplied that out it cost over $1 million just for that problem. Right now we have scientists working on that problem to implement a system for us where we can cut that down through voice boxes or through camera method and hopefully we can reduce that particular cost of local government.

But we are right there on the firing lines every single day.

One of the things that MIT did for this group and I'm not saying just for Providence, but for New Hampshire also, was in looking for heat loss.

Speaker Roberts will tell you that MIT found that the biggest heat loss in the State of New Hampshire was from the capitol dome in New Hampshire.

Mr. BOLAND. I thought that is where it was all created.

Mayor CIANCI. Through the use of infrared thermography, we have been able to find where our heat losses are in public buildings.

Mr. BOLAND. If we had time we would get into that. I'm intrigued by this group.

I was not aware of it. I don't think when NSF was before us that RANN highlighted the group. Perhaps it was just overlooked.

In any event, it appears to be a grouping of individuals in the New England area that, in your judgment and the judgment of those close to it, is helpful and beneficial, particularly in an area that has a great number of problems, jetted as we are in the northeast corner of the United States and now losing some of the advantages we have had over the years.

We used to say that perhaps we had better production in that area, better expertise and better knowledge. That is no longer so because this Nation is a Nation of a moving population. In all areas of the United States the ability and expertise and competence is comparable no matter what area you are in.

Years ago that was not so, New England had the better setting. Are you happy with the formula under the new community development block grant program?

Mayor CIANCI. No; not at all. We would be losing, in fiscal 1980, 66 percent of our community development money in the city of Providence.

Mr. BOLAND. That was expected and anticipated.

Mayor CIANCI. I wasn't the mayor when it was expected.

Mr. BOLAND. You would be happy with the recommendation of this administration vis-a-vis the recommendation of the Ford administration that the formula be changed and it does give the cities some help in terms of the hold-harmless provision.

Mayor CIANCI. We have been cut $1,600,000 because of the hold-harmless provision. The problems that another group I am identified with, are monumental. In the Northeast alone we will have to create 28 percent new jobs in the next 2 years just to stay even.

The State of Rhode Island will be losing 26.6 percent in Federal moneys in the next 2 years. These are problems and as you were saying we have those structured economic problems. Take the jewelry industry. We manufacture 60 percent or more of the world's costume jewelry. We need an innovation group and technology assistance because EPA has given requirements for a pretreatment plant to be constructed. We are studying the problem but to do this, to effectively make sure we don't pollute Narragansett Bay to the extent of 12 million gallons of raw sewage a day, we need new sewage plants. Sewage industry is dumping phenols, acids into the sewer system. The present sewer system can't handle it because it is too old and yet we can't get money from EPA because they claim we have been deficient in maintenance over the last 30, 40, 50 years. We can't get money, only pressure.

Mr. BOLAND. Why don't you build a plant?

Mayor CIANCI. We are. We are going to have a bond.

Mr. BOLAND. Do I understand from your statement that your group is funded to the extent of $100,000 by RANN?

Mr. COX. Our planning phase grant was $85,000.

In February of this year, we received our first operational grant for $165,000 to cover 6 States and 1,589 local governments.

Mr. BOLAND. What is the size of your staff?

Mr. COX. About 225 pounds. Us and a charming lady on the end, Mrs. Susan Wilston.

Mr. BOLAND. This group was created in 1975, and you have been operating for 2 years?

Mr. COX. Eighteen months.

Mr. ROBERTS. To answer your question, the difference between funding that goes to the executive branch and funding through the legislative branch is, we can do something about it. An example is this report. Everybody in this country is talking about energy conservation.

Little is being done because the decisionmakers that can turn these things around don't have the engineering technology they need to make intelligent remarks and write the laws that they need to do it.

Being a member of the group I was able to get the Army Corps of Engineers regions lab to do this work. That study will result in retrofitting and an energy conservation program for all State buildings in the capital and the next step in all State buildings in the State and the next step in all public buildings in the State of New Hampshire.

Mr. BOLAND. Why shouldn't States do it on their own? Mr. Roberts. Because they don't have the science and technological background in our governments?

Why don't they hire them?

Mr. ROBERTS. We can't afford them.

Mayor CIANCI. When I spoke in San Francisco there were all kinds of scientists there. One of the distinctions we have to make is in my business, long range is 2 years. When you talk to a scientist he is talking in decades and in the future of 20, 30, 40 years. He talks in scientific terms. We should have the benefit as local decisionmakers of these people. We have so many problems that they can address themselves to and every time you—as a scientists thinks of a politician sometimes as a wardheeler, a person who really doesn't know anything about science or doesn't want to respond. A politician may think of a scientist as an egghead. This marries them together.

We had this great meeting and we found a scientist at MIT does care how much heat is coming out of a three-story house in Providence. He cares about a group that wants lower taxes because they are spending too much money in the fire apparatus in a city.

Mr. ROBERTS. Not only can we not afford it, but the decisionmakers, because of attrition, don't have the opportunity to come in and get continuity with this type of information and people.

Energy isn't the only issue we address. I created a science and technology group in the legislature. We have problems with the telephone companies, utilities, telecommunications, energy, radiation problems, and problems related to the nuclear plant proposed in our State.

Once we have the information in the legislature we can make decisions. We create budgets and laws. The executives don't do that, as you know.

Mr. JONES. One of the things we are talking about is technology transfer. The infrared technique was developed for space and military applications. It is one of the finest tools for determining heat leaks and cool leaks in any type of space conditioning system. That is an example of what can be duplicated if there is some interface between the Federal laboratories, no matter what areas they are in, and these public administrators so that one would be able in a sense to be beating swords into plowshares on a continuing basis.

Mr. BOLAND. I would think you would have a field day then with the creation of a new department of energy. That is the very field you will be in. I think this is an area where there would be considerable cooperation between the States and the Federal Government. There has to be, as a matter of fact, to solve these problems.

Mr. JONES. One of the things we are hoping for is if the sludge problem and solid waste problem can be addressed with a common technology or a system which would alleviate these problems and have the impact on water resources which we all know are critical issues, which are just on the horizon, which are far more difficult to solve than the problems of energy conservation.

Mr. BOLAND. I don't want to shut off the witness from Massachusetts. That would be unfair.

Mr. MURPHY. Mayor Sullivan is president of the Mayors' Association. He is on the board of directors of the league.

My statement is basically simple. What the mayor says goes double or triple for myself.

You are aware that most of the cities and towns are run by part-time management. The selectmen who meet once a week are attempting to grapply with problems. There is a low amount of time and money. The failures are immediate and the long-term payoffs take too much time, so too many studies are put on the shelf.

Massachusetts property tax is No. 1 in the Nation. This year we are expecting a 33-percent increase on our local property tax basically because the Governor is funding various things. No one will spend money on anything new.

Mr. BOLAND. What about the evaluations?

Mr. MURPHY. Seventy-five percent. One of our concerns is the incinerator at Lowell was shut down. We have our own landfill. That landfill will run out of space in 3 years.

Mr. BOLAND. I would think you would do this on a regional basis, Mr. Murphy.

Mr. MURPHY. I will tell you the problem with that. Lowell has a waste treatment plant under construction for liquid waste. Somebody managed to approve that with no way to get rid of the sludge. We now have a plant and here's the sludge. We are willing to accept chunks of it into the Lowell waste treatment plant if we take care of all their sludge for the design life of their facility. I'm not sure how many acres it takes a year. But we don't have that kind of space to do it. Somebody has to figure out what to do with that sludge. All the selectmen in the state are parttime, they work during the day.

Mayor CIANCI. The EPA told me they would fine me $25,000 a day, personally. That would have lasted 8 minutes. That was one approach they took with us.

Mr. BOLAND. You didn't agree to that.

Mayor CIANCI. No.

Mr. BOLAND. How large is Chelmsford?

Mr. MURPHY. 32,000. We doubled in the last 10 years and tripled in the last 20.

Mr. BOLAND. That is a beautiful town.

Thank you very much. It was an interesting presentation and your statement is a fine one.

We have been pretty good to RANN over the years. This program is not too old as you know.

We can see if they are getting into these areas that they serve a good purpose. This is the kind of research that is beneficial to the problems that are facing you, as opposed to the basic research that NSF is usually engaged in.

Thank you very much for your time.

Mayor CIANCI. Thank you, Mr. Chairman.

NATIONAL SCIENCE FOUNDATION

Mr. BOLAND. We have received a statement from Mr. Charles V. Kidd, the Executive Secretary of the Association of American Universities, stating the associations, as well as the American Council on

Education and the National Association of State Universities and Land Grant Colleges position on the National Science Foundation. The statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF CHARLES V. KIDD

Mr. Chairman and members of the committee, this testimony is presented on behalf of the Association of American Universities, the National Association of State Universities and Land Grant Colleges and the American Council on Education. Virtually all of the Nation's research and related graduate training takes place in the member institutions of these associations. Most of the Nation's undergraduate students also are educated in these institutions. While none of these associations can speak completely and in a detailed fashion on the views of all their members, they can present to you various general conclusions reflecting their philosophy and views on major issues related to the fiscal year 1978 budget of the National Science Foundation.

There is general agreement across the academic community in support of the proposed budget of the National Science Foundation. We urge the subcommittee's attention to three areas of particular concern to research universities: increased support of basic research, the unmet need to support the institutional base for research, and science education.

BASIC RESEARCH SUPPORT

We are gratified indeed that both the former administration and the new administration have recommended important increases in the basic research budget for the National Science Foundation, and we hope this committee will recommend appropriations in the amounts proposed. In recent years Federal support of basic research has declined by approximately 20 percent in real dollar terms, a cut threatening the knowledge base from which technological advances will flow. Last year, the administration proposed a special increase of approximately $50 million in NSF basic research programs to offset partially the erosion of recent years. We were gratified at the proposal and testified before congressional committees in enthusiastic support. We were disappointed when the Congress provided only approximately half the amount which the President had specially requested. This year the administration has requested increases from 11 percent to 14 percent in the NSF basic research budget for fiscal year 1978, increases smaller than those proposed last year, but nonetheless actual increases which would provide modest real growth. The budget request continues the commitment made last year to reverse past declines in support.

It is, we believe, especially important that the Congress provide support for NSF basic research programs in the amount proposed by both President Ford and President Carter. Any reductions would be deeply harmful. They would adversely affect that slim margin of support which can yield innovation and quality in basic scientific investigation, and they would slow down progress in the Nation's overall research effort.

Last year, Jerome B. Wiesner, President of the Massachusetts Institute of Technology, and former Science Adviser to the President, testified on behalf of these associations in vigorous support of President Ford's special request for NSF basic research programs. His central point bears repeating:

"The soundness of the structure of science in this country—the entire enterprise that has provided our country's unique position in science and technology—the investigators, the laboratories, the students, the network of communications, and the web of interrelationship among government agencies, government laboratories, universities, industrial laboratories and nonprofit laboratories is severely threatened."

The scientific enterprise, despite the decline in support of recent years, he said, remains "stronger in virtually all fields than one might expect." This is true partly because the system has strong momentum and strength. Yet there are several signs of decay in the fabric of basic science which, if allowed to continue would lead,

"within a decade, to a scientific establishment unable to meet the many needs of society, to technical society less able than it is today to compete with that

of other nations, not only abroad but here in the United States as well, to a further deterioration in our economic and social well-being which in recent decades has had its foundations in science and technology. The stakes are enormous. It is no exaggeration to say that the scientific and technological challenges in the next several decades in energy, in the environment, in education, in health, in the earth sciences and resources, the brain sciences, psychology, in the communication and computing sciences, in learning how to manage a complex society, exceed anything we have ever faced before."

An analysis of the immediate and long-term difficulties in a large complex research network characterized by a great deal of momentum led him to conclude that even the proposed fiscal year 1977 increases were "not sufficient to correct all the serious problems but certainly a welcome start."

Dr. Wiesner's analysis will be affirmed in a report titled "The Role of Universities in the Nation's Research and Development Effort" by Dr. Bruce L. R. Smith and Dr. Joseph J. Karlesky which will be published shortly. We will be pleased to provide copies of their findings for members of the committee. This comprehensive study of the future health and role of academic science clearly substantiates Dr. Wiesner's point of view and confirms the administrtation's rationale for the fiscal year 1978 budget requests for the National Science Foundation.

The changed attitude of the executive branch toward the role of the Federal Government in support of basic research represents, in our view, a statesmanlike and realistic perception of the role of the Federal Government in support of basic research. We applaud OMB's explicit recognition "that the Federal Government has a key responsibility in assuring an adequate level of national support for basic research" (Issues 78, Office of Management and Budget, January 17, 1977).

In our view, the reasons for support of this sound policy are directly on target.

Basic research is important to economic growth in the solution of important national problems.

Normal economic incentives will not produce an adequate volume of basic research.

The lag between discovery and application is so long and unpredictable that only government can supply the necessary support.

Mission-oriented Federal agencies need the products of basic research to carry out their tasks well.

One of the major defects in national science policy, a point which has been stressed repeatedly before by spokesmen for the scientific community, has been the failure of the Federal Government to act consistently on the basis of these sound principles. We urge adoption of these principles as a continuing base for the specific actions of the executive and legislative branches with respect not only to the NSF budget but also to the basic research budgets of all major Federal agencies.

In considering the amount of the increase requested by the President for basic research in the fiscal year 1978 NSF budget, we urge the committee to bear in mind a central fact mentioned earlier. That is, the scientific community is just emerging from a long period of many years during which there were cuts in the total basic research program of the Nation, measured in constant dollars.

On a second major policy issue, we especially call the committee's attention to the substantial increases proposed in the NSF budget for scientific instrumentation. The amount proposed is $28 million. This increase is badly needed.

During the 1960's, the Nation's scientific laboratories were provided sufficient high quality instrumentation, and this had much to do with our then increasing preeminence in science. The view developed however, that since the laboratories were fully equipped, the scale of support could drop. Between 1966 and 1976, the proportion of NSF project grant funds allocated for permanent equipment dropped from about 11 percent to about 5 percent. Since funds for equipment from other sources dropped at the same time, the quality of the instrumentation in university laboratories declined sharply. Even the best equipped laboratories have become victims of "creeping obsolescence." Basically, two kinds of instrumentations are affected. One is the construction and modification or enhancement of large instruments, such as the computer at the National Center for Atmospheric Research. The other is for standard laboratory instruments required in the physical and biological sciences. Both are essential. The recent report of the National Science Board, "Science at the Bicentennial—A Report from the Science

Community," independently supports the Smith-Karlesky conclusion that the Nation's scientific equipment is clearly deteriorating to the point where the situation is causing enormous concern among the scientists of the Nation. Investigators are finding it increasingly difficult not only to replace outmoded equipment but also to acquire the new, more sophisticated instruments which scientific advances require.

Both reports strongly urge increased support for instrumentation. We hope the committee will appropriate the funds requested to upgrade scientific instrumentation.

SCIENCE EDUCATION

We fully support the administration's fiscal year 1978 budget request for science education. We are particularly concerned that additional emphasis be placed in the area of education for minority students and opportunities for minority group members in science and engineering. We strongly support the proposed increase for undergraduate science education, particularly the comprehensive assistance to undergraduate science education program—CAUSE—and the undergraduate instructional improvement program—UII. The case in support of these programs has been ably presented to the committee by Dr. Thomas Wenzlau, and we generally support his recommendations in this area.

Moving from the undergraduate to the graduate, postdoctoral, and younger faculty levels, we believe that continuation of the emphasis on quality is imperative. It will be critically important to sustain a flow of highly qualified young scientists and engineers into, and through, the system over the years ahead. There will be relatively few new academic jobs combining research and teaching in science and engineering. This means there will be few younger faculty members in many departments, and that the average age of faculty members will increase.

For almost 3 decades following 1940, we became accustomed to demands for highly trained scientists and engineers that far outstripped the supply of such people. Then the situation changed dramatically, and for a few years there appeared to be a surplus in scientists and engineers. If Federal support continues to follow such up and down market indicators, the Nation will be unable to maintain an increasing and steady supply of highly qualified scientists and engineers for our long-term future.

The developments outlined by President Wiesner last year and by the reports cited above raise serious questions relating to the continued vitality and originality of research. We strongly urge that a comprehensive program fostering a continuing supply of the most able young persons into the system be adopted. In our opinion, this can be accomplished by supporting and expanding three programs that are already in place.

At the first level, the existing NSF fellowship program meets current needs at a minimal level. We would favor a doubling of this program to 1,000 fellowships which is still modest in terms of the Nation's needs.

The second element—postdoctoral fellowships—also is in place. In concept, postdoctoral support insures that a small number of the most competent recent Ph. D.'s remain in academic science under conditions best designed to insure their continued intellectual growth. Postdoctoral fellows, like those selected for NSF graduate fellowships, should receive awards directly and work where they find the most challenging opportunities. Portable postdoctoral fellowships logically supplement postdoctoral research opportunities provided under many federally supported research grants and contracts. The postdoctoral fellowships provide the freedom of choice that is unavailable under research grants and contracts. Both are essential components of a balanced integrated system. The postdoctoral fellowship program, in our view, is underfunded at the proposed level of $2.3 million. We urge that the program be funded at $5 million in order to provide about 250 fellowships per year as contrasted with the current level of approximately 100.

The third level is the new—1975—research, initiation, and support program—RIAS. This program was established following termination of the institutional improvement for science program—IISP—which for a number of years had provided small, but very helpful, sums of formula grant funds to many institutions for some of the same purposes as RIAS. The rationale for RIAS is to provide research opportunities for younger scientists by providing competitive grants to institutions for support of exploratory research, equipment, and related needs. In the first year of funding, RIAS awards approximating $4 million were made to only 19 colleges and universities while there were 261 applications totaling $59

million. If RIAS is to be continued and to serve effectively as a component of an integrated program to insure a continuing flow of younger faculty members, a modest increment is required. We urge that RIAS be funded at $10 million in fiscal year 1978. In a few years, it may be necessary to support salaries for some younger faculty members in order to attract the best of the current crop of students to academic careers of research and teaching. An expanded modified RIAS program could provide such support.

It is significant to note that the problem of sustaining a flow of younger faculty into the advanced educational system also has been recognized in western Europe. Leading scientific engineering and educational authorities in West Germany have under active consideration a policy to insure the continued flow of highly trained young scientists into the research system. The so-called Heisenberg program would establish advanced fellowships and junior faculty positions for a number of carefully selected scientists and engineers. The program would enable a limited number of highly selected students to pursue graduate and post-doctoral work and enter junior faculty positions. Under the program, the West German Government would deliberately augment university budgets to provide salaries for younger scientists-teachers.

SUSTAINING THE INSTITUTIONAL BASE FOR RESEARCH

As a concluding point, we note that our advice has not been heeded in one important area of science policy. This is the responsibility of the Federal Government for sustaining the strength of the university base for science. The executive branch and the Congress appear unconvinced of the wisdom of paying attention to the long-range capacity of universities for research which they alone are capable of producing. The prevailing doctrine seems to be that the Government will support research projects and programs—including basic research—relevant to the missions of the various Federal agencies.

Indeed, the current doctrine is that the Federal Government should not pay the full costs of federally supported research in universities but should require universities to divert funds from their educational and public service functions in order to cover the research costs not met by the Federal Government. We believe that the country, the Federal agencies, and the universities are better off if the Federal Government offers to pay the full costs.

Our concerns go to the basic nature of the Federal system of support for academic science. It is essentially a project system. Typically, applications are judged in national competition and awards are made for the most promising proposals. The system, in our judgment, is fundamentally a good one, but it has two glaring defects. One, each project is considered in isolation. A large university has hundreds of these projects. Under current programs, there is no way in which their combined effects on the institution can be taken into account. Universities need modest resources to cushion research programs and individuals against such things as the random effects of project terminations, unexpected equipment needs, young investigator startup costs, and changes in rules affecting expenditures. A second defect is that a research institution needs more than a series of project grants and contracts, which frequently are highly targeted, if it is to remain a sound base for science. Younger investigators have to be nurtured as they develop the capacity to compete nationally for project funds. Funds must be available to keep skilled technicians at work regardless of fluctuations in project support. Modification and upgrading of facilities required for many research projects but unique to no single project requires general funds. Exploitation of new ideas and radical shifts in lines of investigation often require that funds be made available much more quickly than is possible under the project system.

For many years, the National Science Foundation provided grants for precisely such purposes under the institutional improvement for science program—IISP. This program, unfortunately, was terminated in 1975. It is important to stress that, even at its peak, this program did not provide unreasonably large amounts of support to universities. In fact, most research institutions received considerably less than $100,000 annually under the program. Many received less than $50,000 annually, but even these relatively modest amounts of flexible support funds gave university research programs important added dimensions of flexibility and vitality beyond the amount of dollars involved.

The capacity of universities to do what they are particularly good at—basic research—depends upon their overall strength and flexibility. As costs rise and funds become tighter, institutions are losing the capacity to finance modest ex-

ploratory adventures, to support flexibly the early research efforts of young investigators and advanced students, and to seize relatively inexpensive but potentially very important opportunities in a timely fashion.

Moreover, a dangerous doctrine has been advanced—that the Federal Government has no responsibility to keep the university research base healthy and flexible. Universities are not entities on which the Government can depend to product research desired by the Federal Government in the absence of a strong institutional base.

This attitude is harmful to both the universities and the Nation. The abolition of a relatively modest program such as IISP is symptomatic of a basic error in the general position of the Federal Government toward research in institutions of higher education. We note that the Office of Management and Budget has consistently advocated that a formula grant program similar to the old IISP program made by the National Institutes of Health be abolished, but the authorizing and appropriating committees of the Congress have equally consistently reinstated the program. We will continue to attempt persuading both Congress and the executive branch of the wisdom of reinstituting the kind of grant that would meet the needs of basic research institutions which are engaged in federally supported basic research programs for flexible research-related support. The amount of money required to insure sustained vitality and flexibility in the research system would be very small indeed in relation to the total Federal research effort and the basic research budget of the National Science Foundation. But a relatively modest fund, perhaps equal to only 2 percent of the amount provided for NSF basic research programs, would go far toward increasing the responsiveness and effectiveness of federally supported basic research programs in universities. We urge the committee to reconsider the merits of this request.

CONCLUSION

Federal support of basic scientific and technological research and development is a major investment which will contribute to the economic progress and prosperity of our Nation. The National Science Foundation is a vital national investment deserving of the special consideration requested by President Ford and President Carter. We urge your support for the fiscal year 1978 NSF budget.

On behalf of our member colleges and universities, we wish to commend the committee for your sustained support of the National Science Foundation and thank you for the opportunity to present these views.

National Science Foundation

Mr. Boland. We have received a statement from Dr. Milton J. Hernandez, an associate professor of both medicine and physiology at the Pennsylvania State University, representing the Society for Advancement of Chicanos & Native Americans in Science, on the National Science Foundation's minority centers for graduate education. The statement will be placed in the record at this point.

[The statement follows:]

Society for Advancement of Chicanos & Native Americans in Science,
April 4, 1977.

Representative Edward Boland,
HUD Independent Agencies Appropriation Subcommittee,
House Office Building, Washington, D.C.

Dear Representative Boland: Members of racial and ethnic minorities have not participated adequately in the tremendous growth of science and technology that the United States has experienced in the last few decades. The reasons for this lack of participation in the mainstream of American science are numerous and complex, but perhaps the most important is that few minorities have chosen to pursue careers in science. The percentage of minority scientists in the entire American scientific community, of only 1.6 percent, is undoubtedly the most telling statistic available.

The effects of the abysmally low representation of minorities in science are felt at least in three major areas:

(1) Teaching: There are too few minority scientists to significantly influence the educational system, so it may be more aware of minority problems.

(2) Research: There are too few minority scientists in academic centers where research is conducted; those minority students presently pursuing a science education are seldom in contact with "big science," one of the most important measuring sticks of scientific achievement.

(3) Science Policymaking: Very few minority scientists have the opportunity of contributing significantly to the implementation of science policy in this country. One only has to examine the number of minority scientists present within the structures of the National Science Foundation and the National Institutes of Health to confirm the minimal input minorities have in science policymaking processes.

Clearly, the underrepresentation of minorities in science constitutes a social problem of great magnitude. We of the Society for Advancement of Chicanos and Native Americans in Science maintain that to redress these inequities is not only socially just, but will also benefit many areas of American science and technology.

However, it should be pointed out that minority scientists have made important contributions in teaching and research in the United States, despite their low numbers.

The representation of Chicanos and Native Americans in science is a case in point. There are approximately 10 million Chicanos and 1 mililon Native Americans in the United States. Yet there are only about 100 Chicano and Native American academicians teaching natural and biological sciences in centers of higher learning. A recent survey of the number of Chicanos in academic medicine revealed fewer than 20. The fact that there are so few Chicano and Native American scientists dilutes any of their efforts toward trying to stimulate young Chicanos and native Americans to pursue careers in science.

In addition, many Chicano and Native American scientists are still the victims of discrimination. Despite affirmative action programs, subtle barriers continue to hinder the effectiveness of minority academicians throughout the United States. The Chicano scientist almost always has to defend his qualifications against those who assail him in the name of "academic excellence," only to prove that he is just as capable as his Anglo counterpart. In many cases, the Chicano scientists must seek refuge outside of his or her community. The Chicano and Native American scientist in the Southwest is not only pressured by his community, his conscience, and his school's administrators, to take care of all of the needs of the Chicano and Native American students, but in addition, he or she is expected to teach, conduct research, and publish as much, or in fact, more than his or her Anglo colleagues.

It is probably of little value to attempt to ascertain who or what is responsible for the miniscule minority group representation in science. It is, however ,an easily identifiable social problem that must be dealt with, as part of an overall effort to erase every remnant of discrimination in this country. It is for this reason that we, of the Society for the Advancement of Chicanos & Native Americans in Science, urge Congress to appropriate $6 million for the creation of the first two minority centers for graduate education, in fiscal year 1978. Further, we urge you to make the funding for other centers available for future years. The magnitude and complexity of this problem requires a determined and strong commitment on the part of Congress, and will not be dealt with effectively with a narrow, short-term effort on your part.

The centers we urge you to support will serve as catalysts for the formation of more minority scientists. They will focus on, and attack, many of the problems involved in achieving adequate minority representation in science, and will be a significant factor in the betterment of American science.

I thank you in the name of the Society for Advancement of Chicanos and Native Americans in Science.

Sincerely yours,

MILTON J. HERNANDEZ, Ph. D.,
Assistant Professor of Medicine,
Assistant Professor of Physiology.

National Science Foundation

Mr. Boland. The committee has received a statement from Mr. Robert W. Cairns, executive director of the American Chemical Society on the National Science Foundation. His statement will be entered into the record at this point.

[The statement follows:]

American Chemical Society,
Washington, D.C., February 17, 1977.

Hon. George H. Mahon,
Chairman, Committee on Appropriations,
House of Representatives,
Washington, D.C.

Dear Congressman Mahon: The American Chemical Society believes it is vitally important that the United States maintain the creative vitality and excellence of its scientific effort which, in applied form, provides the cornerstone of our industrial economy. The National Science Foundation has played a major role in initiating, supporting, and encouraging the scientific and technological endeavors of this nation. Adequate support of the Foundation is fundamentally important to the continued health and well being of science and technology in this country.

The society, therefore, supports and urges that there be no reduction in the proposed budget. This budget provides a significant increase in research in mathematical, physical science and engineering; astronomical, atmospheric, Earth and ocean sciences; and biological, behavioral and social sciences. Exploratory research of this type yields the new knowledge on which advances in applied science and technology depend. The budget also includes increased support for science education activities, including programs aimed at providing greater educational opportunities for minorities, women, and the handicapped in the field of science and engineering. This increased support should augment the supply of bright dedicated, young scientists—a major resource of our nation, upon whom the future of creative endeavor relies.

The fiscal 1978 budget is the first to propose a real increase in NSF support in recent years. Taking inflation into account, this budget will reverse the downward trend in Federal support for R. & D. which has declined almost 20 percent in the past decade. The National Science Foundation has a major function in the total Governmentwide support of basic research. We are pleased to see the NSF budget request for fiscal year 1978 set at $885 million, which includes $688 million for basic research, a 12.4 percent increase.

This country and the world are faced with diminishing material resources of all kinds (for example, food, fuel, and minerals) which are necessary for the well-being of the world population. In view of the importance of new knowledge in the solution of societal problems and in insuring the growth of our economy, it is important that the United States maintain and improve its pioneering role in science and engineering. The fiscal 1978 budget of the NSF provides an opportunity to take such a step and, therefore, partially restores Federal support of research in the physical sciences to earlier levels. We recommend this action as being in the national interest, as well as in the interest of peoples throughout the world who look to us for scientific and technological leadership.

Sincerely yours,

Robert W. Cairns,
Executive Director.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

WITNESS

DR. JERRY GREY, ADMINISTRATOR, PUBLIC POLICY, AMERICAN INSTITUTE OF AERONAUTICS AND ASTRONAUTICS

Mr. BOLAND. Is Dr. Jerry Grey, administrator of public policy, American Institute of Aeronautics and Astronautics here?

Dr. GREY. Yes, sir. Instead of speaking from my prepared statement, I would like to touch on a few key questions that you may have. I am representing the American Institute of Aeronautics and Astronautics which has 25,000 members: scientists, engineers, and students. It's not an industry organization.

I am here to talk about the NASA budget. It's interesting that I testify after the mayor of Providence. Although I am here to talk about what is considered an esoteric area, aeronautics and space, I want to stress the point that the income generated from aeronautics and potential space operations is what generates the taxes, the gross national product that will provide the mayor of Providence with his sewage system quicker than he is able to get it today.

I would like to speak first about aeronautical research. The aeronautical industry today generates about $30 billion in gross national product. It generated over $7 billion in balance of trade last year. It is the second largest employer in the country. This industry is supported by the research done by the National Advisory Committee on Aeronautics in the 1930's and 1940's. Ninety percent of the airplanes built in the world today came from that store of technology developed several decades ago.

Today the research capability of NASA has been seriously eroded. Although I welcome the increase this year in the aeronautical research budget, some 7 percent of the budget of a relatively small agency is not enough to support an industry that generates nearly 900,000 jobs every year. We feel that this eroding capability in basic research indicates a clear need for much stronger support than it has had.

I have mentioned a few of the research areas in my testimony so I won't go over them.

Mr. BOLAND. Why do we have to develop new aircraft now? We have been doing that over the years. We have the best that's available. No one else seems to be doing it.

Dr. GREY. The Europeans are doing it.

Mr. BOLAND. In what area?

Dr. GREY. They have an A–300 transport which is competitive with ours.

Mr. BOLAND. With which craft?

Dr. GREY. DC–10 and 1011. The Russians will come out with the Ilyushin 86, which will be competitive. There are a number of others, including military craft.

We need to look at the requirements for fuel conservation, in particular. That's the area where we need a new airplane. NASA has a $600 million research program in fuel conservation. We commend that strongly.

Mr. COUGHLIN. $600 million?

Dr. GREY. Total, over a period of about 10 years.

Mrs. BOGGS. Will the body frames which are lighter save on energy?

Dr. GREY. In the supersonic-cruise aircraft research program one of the more interesting considerations is new bonding methods for titanium, which could lower the weight of the airplane considerably. The research program is aimed at the ultimate development of new airplanes. We don't have today any new airplanes coming down the pike, either for sale overseas or for use here. There isn't enough of an R. & D. budget to generate the capability necessary for a new airplane. Our guess is the next one will come along in the 1990's. That may or may not be time enough to keep from eroding one of our strongest income-producing industries. A bigger and stronger research program is needed. We are talking about $230 million in R. & D. this year, supporting a $30 billion gross national product. That's a tiny fraction.

One area I do want to mention is supersonic cruise aircraft research It has been under fire recently as a transport program. You members of this subcommittee know, of course, that it's not a transport program; it's a research effort.

We feel the development, in the long term, of an environmentally sound and economically viable supersonic aircraft is a worthwhile project on which to be doing research at the present time. The slight increase this year in that program is commendable. It will have fallout throughout the aeronautical industry. It helps to retain for this country the "cutting edge" of aeronautical R. & D., and we need to keep that going.

I would like to turn now to space. I appreciate your time schedule, and I will go through these points quickly. The idea of a level NASA budget is one that needs to be looked at. First of all, the NASA budget has not been level. It has been decreasing rapidly, if you look at buying power over the last 7 or 8 years.

Mr. BOLAND. That was expected.

Dr. GREY. I'm not arguing that we should stay at the $6 or $7 billion level of 1967 or 1968. The $3 or $4 bililon level has eroded in buying power due to inflation since 1971. I don't want to argue for a level NASA budget. That's a mistake. The proper idea is that each program should be judged on its contribution to the national well-being.

The whole question of research and development funding, as some people have argued today, implies large multipliers in the economy, as compared with money which is spent directly, which is, of course, absolutely necessary in some cases. But the multiplication factor of money spent on research and development warrant the expenditure of a considerable sum. Our current issue of the AIAA's magazine, Astronautics and Aeronautics, is devoted to the subject of research and development, particularly its impact on the national economy and in developing the gross national product to generate jobs and tax revenue so the mayor of Providence can get sewers when he needs them.

This issue of the magazine mentions all research and development as well as NASA's. I am here to talk about the aeronautical and space part of it. It's extremely important that the effect on our gross national product of that R. & D. not be underemphasized.

Mr. BOLAND. The falloff has been in the private sector, has it not?

Dr. GREY. No, as a matter of fact, we say in the magazine that the Government has cut the R. & D. percentage of the gross national product by a factor of two during the past decade or so.

Mr. BOLAND. Basic or applied.

Dr. GREY. What we call the "research and development" money. What you call "development" and what you call "research" is arguable. I have referred to the total R. & D. budget, not research alone. The basic research efforts of the Government have been good, and we commend them, but we would like to see them get stronger, if possible. But the R. & D. needed to bring new products into the market has fallen down recently. This is recognized throughout industry, as evidenced by articles in Fortune and some of the industrial magazines.

Returning now to the space application area, this is another sector in which we feel the NASA budget really has not been as effective as it could have been in the past few years.

The AIAA has just published a new Review called Space, a Resource for Earth. It's coming off the press next week, and you will all receive copies of it. It identifies a number of applications areas. I'll mention just a few.

First, communications satellites. They are a thriving business today, not a space spectacular. They contribute substantially to our gross national product. The Intelsat organization contributes a great deal to international cooperation.

In the last couple of years a lot of other countries have realized that this is a going business. Canada, France, and Japan are investing heavily in research and development to take over that business. The National Academy of Science's Space Applications Board has come out with a report which recommends that NASA spend $50 to $75 million a year for advanced communications satellite research and development. We commend that effort, and earlier had issued an AIAA position to that effect. We feel that this effort will help develop some of the new areas, particularly in public service satellites for education, electronic mail delivery, health-care delivery, teleconferencing, et cetera. We have learned that industry won't do it because the payoff is too far down the pike. Teleconferencing, incidentally is an interesting concept for congressmen who want to get back to their home-State constituencies. You can talk to the people at home, back and forth, one on one, without having to travel 2,000 or 3,000 miles to do it.

The Landsat is a second area for space applications. It's covered in our Review. It's probably the most important space program for the future of the world that we have come along with so far. I won't detail the benefits, which I'm sure you're aware of, and I do want to commend the Landsat D program's appearance in this year's budget proposal. One of Landsat's problems is that it has been too successful. Although it's an experimental satellite, it's also being used operationally by a lot of people all over the world. We have suggested, and I understand that a Senate Committee has recommended that the Landsat D have on board not only the new instrument which is necessary on an experimental basis, the thematic mapper, but also the multispectral scanner, the existing instrument, so that those people all

around the world who have ground stations can continue to use Landsat without major modification to their ground stations.

On the Space Shuttle, I will not repeat the details of the argument as to whether or not we should have five orbiters. We feel that in the long run five orbiters will probably not be enough. The five orbiters are based, and we feel properly so, on NASA's projected mission model, which is 500-odd flights over the next 12 years.

But we feel the shuttle will expand new applications very rapidly once it's available, as we said back in 1973 when the AIAA did an assessment of the shuttle. Here is a down-to-Earth example. To go from Los Angeles to London, round trip, takes roughly the same amount of energy per pound of payload as it does to go from the surface of Earth to a low Earth orbit. But the cost of carrying a 200-pound "payload" on the airplane trip is only $500, whereas the cost of carrying the same 200 pounds into orbit is over $80,000. The difference, of course, is the effectiveness of utilization. Once the shuttle is available, there will be a lot of demand for its utilization, and that will bring the price down and the flexibility up.

Another example of potential shuttle utilization is the space-based solar power station, which should be evaluated as has been proposed by an ERDA task force. They proposed a 3-year program for about $20 million to provide sound basis for deciding whether or not to go ahead with a prototype space-based power station. This is a proposition that has enormous potential beneficial impact on the world, but it requires a lot of "upfront" money.

An idea has come along, proposed by General Dynamics, to utilize the Space Shuttle instead of a new heavy-lift vehicle to put that prototype into orbit. The idea is to use the (estimated) 25 percent extra mass capability of every shuttle launch to carry water up into low Earth orbit and to process that water into propellants there in orbit. We can use those propellants to carry the prototype space power station up into the necessary geosynchronous orbit for a much smaller amount of money than it would take if we built a new transportation system.

There is no flexibility in the NASA budget today to evaluate new ideas like that. We recommend that NASA's advanced program or energy system program budgets be increased enough to evaluate such new innovative systems as they come along. The necessary increases are quite small, but are badly needed.

I would like to discuss one final area: space science. You have heard enough about the space telescope. You have heard the arguments for it, and we do support them. There is only one small but very important point I wish to make today.

Astronomy is a basic input to our civilization. Newton, Einstein, Bethe's theory (which led to our ideas for nuclear fusion as a result of his looking at the sun) are all outcomes of astronomical observations. Today we know a little bit, but not much, about quasars and black holes.

What can we learn from these things? There is potentially an incredible resource there for us. Looking at these objects from earth, the Palomar 200-inch telescope is equivalent to a 4-inch space telescope because of the blurring effect of the atmosphere. The space telescope

will give us a capability to learn that we have never had before. The question has often been asked, "But why do it now instead of 5 years from now?"

Mr. BOLAND. That's a good question. You have indicated a number of areas that you're interested in and they are all good ones. But there is a limit to the resources that can be spent in these areas. If you were to attach any particular priority to the programs you have mentioned here, for instance the space-based solar project, the LST, or the Jupiter probe? Which would you rank in priority?

You have to do that because we have to do this sort of thing ourselves because there is a limit on the resources that can be spent in these areas. How would you rank them?

Dr. GREY. I would like to help you out. I'm not sure I am qualified to do that. Let me first talk around it. You're asking the kind of question that the medical people get asked: "Shall I support cancer research or cardiovascular research?" The answer is, obviously, that we must do both, but how much of our resources do we devote to each?

Mr. BOLAND. You would know what the priority would be between the Jupiter probe and the LST.

Dr. GREY. We are looking at apples and oranges. From the Jupiter probe we can learn about the atmosphere of the earth, by studying the atmosphere of another planet. We learn about the effects of magnetic fields on weather . . .

Mr. BOLAND. Which has the biggest pay-off, the LST or the space-based solar energy project?

Dr. GREY. If I look at the short term—I mean the 50-year term—I would say space-based solar power. In the long term, the ultimate input to succeeding generations in terms of gross national product and taxes, I would hazard a guess that the space telescope would give us more basic information.

I recognize that this problem is a tough one. I don't think there is a simple, straightforward answer. You have to look at each of the programs and decide how to juggle your budget to accommodate it to the best interests of the Nation. That's not an easy job. Let's look at numbers——

Mr. BOLAND. Perhaps the orange is better for the day than the apple would be.

Dr. GREY. That could be. For this year's budget on space-based solar power, something on the order of $5 million would be appropriate. The space telescope may be $35 million.

Mr. BOLAND. What will the space telescope cost?

Dr. GREY. $700 million over the life of the project.

Mr. BOLAND. That figures out to $8 million for each astronomer.

Dr. GREY. Newton has developed multibillions of dollars of gross national product from looking at the stars.

Mr. BOLAND. You're an effective and persuasive advocate for the AIAA.

Dr. GREY. Thank you, Mr. Chairman.

Mrs. BOGGS. Mr. Chairman, I have just found out from his testimony why I am so gung-ho for the space telescope. It says astronomy is the queen of the sciences.

Dr. GREY. That is certainly to the credit of our early scientists.

[The complete statement follows:]

STATEMENT OF DR. JERRY GREY

Mr. Chairman, we're here today to discuss the implications of the fiscal year 1978 NASA budget. The AIAA, as you know, is the technical society whose members include 25,000 engineers, scientists, and students working in the aerospace profession—in industry, government agencies, and educational institutions.

This is the 4th year in a row that we come to remind the Congress that this country, which has built some 90 percent of the commercial airplanes flying in the free world, is not developing a single new air transport.

I'd like to repeat to you a few quotes on this subject from the AIAA's annual meeting, held here in Washington 2 months ago:

John J. Casey of Braniff International said we're developing "not only no supersonic aircraft but no subsonics and no new airports."

Jack Steiner of Boeing said, "We're in the longest dry spell in the history of commercial aviation—there hasn't been a new commercial transport started in 9 years."

And Leonard Roberts, who ran NASA's outlook for aeronautics project (after first giving the caveat that he wasn't speaking for NASA) said, "We must reverse the policies of the past decade," in order to prevent a total loss of technical capability in NASA—the R. & D. personnel who were responsible for this country's dominance of commercial aviation today.

In brief, aeronautics has been, and is being, given short shrift. Not maliciously, or even mischievously. Other programs in the Government and in NASA have simply pushed aeronautics into the background.

We need to remind ourselves of the value of air transportation to the people of this country. Air fares are 40 percent lower than they were 40 years ago. What other industry can say that? The trade balance for airplanes was over $7 billion on the positive side last year. The aerospace industry is the second largest employer in the Nation, with a manufacturing GNP of about $30 billion. But we're developing no new aircraft. The airlines are too broke to fund them, the military, which used to fund aircraft developments which then could be adapted to civilian use—as with the KC 135 to the 707, the C–5 to the wide bodies—has different needs now and is no longer as contributory as it once was.

Yet, as Dr. Roberts reported at our meeting, there are aircraft design concepts which offer the promise by 1990 of 30 percent improvement and by 2000 50 percent improvement in energy efficiency, with far less noise, than the aircraft of today.

AIAA's technical committees held a workshop to document the kind of developments which are possible with fairly modest funding backup in NASA. We covered some of them in a report entitled: "The Technical Basis for a National Civil Aviation R.T. & D. Policy," published in May 1976.

The healthy state of the industry today is based largely on the R. & D. performed by NASA's forerunner, the old National Advisory Committee on Aeronautics (NACA) in the 1940's and 1950's. But we are now running out of that store of technology—and the small share of NASA's budget which goes to aeronautical R. & D. just isn't enough to replenish it.

We are gratified to see substantial increases in two key areas: aircraft fuel-consumption efficiency and supersonic cruise aircraft research.

Expansion of the fuel-efficiency effort to include new turboprop concepts is commendable, as is the move into phase 2 of the effort on energy-efficient engines, derivative-type applications, and new aerodynamic features. Expansion of this overall effort to the $70 million level is particularly gratifying to the AIAA, since the Institute played a significant role in getting it started and in helping to guide its early stages.

In supersonic aircraft research, the doubling of funding requests for variable-cycle engine research is a most important step. Past civil-aviation engine needs have been satisfied in good part by military developments, but new military variable-cycle performance cannot be compromised by the stringent noise and pollution constraints on civil supersonic transport engines. So, for perhaps the first time in our aviation history, a new civil transport engine development will have to proceed on its own. We hope to see continued rapid expansion of this effort in subsequent years.

Other than these two program expansions, which reflect by far the bulk of the small aeronautical budget request increase over fiscal year 1977, there is little evidence of the R. & D. resurgence recommended by the future of aviation report which the House Subcommittee on Aviation and Transportation R. & D.

published last October. (AIAA's then president, Edgar Cortright, former Director of NASA Langley Research Center ,testified for the institute at the hearings which led to that report.)

The small increase in supersonic cruise aircraft research to incorporate improved lift/drag features and better definition of the cost and mass benefits achieved by superplastic forming and diffusion bonding is welcome, as is the needed increase in safety-related stall/spin research for general aviation (all of which, incidentally, were specific AIAA recommendations last year).

But the disappearance of the lift-cruise fan effort from NASA cognizance, and the total elimination of a hypersonic test airplane (a joint NASA-Air Force proposal) will further erode NASA's aeronautical R. & D. capability. Moreover, the lack of any real growth of a basic research effort, called to the NASA Administrator's attention by the Senate Aeronautical and Space Sciences Committee last September, has been recognized in the fiscal year 1978 budget requests by only a token increase. Even more unfortunate, however, is the extension of this lack of foresight to NASA's new 5-year plan, which was strongly criticized by a recent meeting of the agency's Research and Technology Advisory Council (virtually all of whom, incidentally, are active AIAA members). A turnaround in how we conceive our aeronautical R. & D. effort is required. It is a major national resource which generates a large fraction of the jobs and economic base necessary to support our needed social programs in this country. And it deserves more than a small fraction of one of our smallest Federal agency budgets.

And now to astronautics. Most people, including, alas, our most conscientious citizens and certainly not excluding Senators and Congressmen, do not realize how immensely beneficial space has been in dealing with the very problems which, ironically, are always being cited as deserving higher priority than space.

We in the AIAA stand ready to do whatever we can to help straighten out the illogic of that argument. The argument should not be whether space deserves a higher priority than Federal programs for producing jobs, cleaning up the environment, or dealing with the energy crisis, but whether particular space programs will generate jobs, improve the economy, monitor the environment, or develop new energy resources competitively with other ways of spending Government money.

Making such an evaluation has not been done and is not being done—certainly not by the Office of Management and Budget, for example. Yet, we offer evidence in this testimony today and in this new book, compiled by AIAA's technical committees and entitled: "Space: A Resource for Earth" that possibly no program anywhere in the Federal Government is now returning to the taxpayer as much benefit for the cost invested.

Mr. Chairman, I hope you will read this book in detail. We intend to distribute it to the entire Congress and to as many of our fellow citizens as we can reach with our 66 regional sections and 120 student branches.

As I'm sure you're well aware, many of our citizens feel the space program's funds should be cut. But I don't see how they could resist supporting more space R. & D. after reading this book. Congressman, I'm sure you've heard this shibboleth: "Space research may be all right, but we can't afford to do it when so many people are starving on Earth."

I'd ask those who use that cliche to turn to page 3 and read the section on communication satellites—a brand new job-producing industry that didn't exist 15 years ago. Comsat, created by the U.S. Congress, has led to Intelsat, a consortium of 91 nations linked by four geostationary satellites that carry 6,500 full-time telephone circuits—and the cost per circuit dropped from over $30,000 in 1965 to $1,200 in 1971. You can phone London today for less than the cost of a Los Angeles call a few years ago. And remember, this is a paying business, not a taxpayer liability. Those four satellites earn about $25 million a year each for Intelsat. Thirteen of NASA's 16 space launches last year were for communications satellites of various types.

Especially read page 11 of our book to see what R. & D. in communications satellites has produced. The experimental satellite ATS-6 brought health, family planning, agricultural educational, and entertainment programs for a year to 3,000 remote villages in India. This AIAA book demonstrates the practicality of directed educational and public-information broadcasts, as well as emergency health information and disaster notification. Prospects for the immediate future

include direct broadcast capability, extensive data access procedures, electronic mail systems, teleconferencing, environmental monitoring, search and rescue capability, medical emergency relief, and perhaps in a few more years, universal personal (wrist-radio) telecommunication systems.

The AIAA is initiating a study to examine the potential economics of new communication concepts. Two areas which have been highlighted recently are electronic mail systems (endorsed on January 27th by the National Academy of Sciences), and teleconferencing via satellite, to reduce transportation costs and improve personal access. We have, in fact, suggested to President Carter that teleconferencing offers him an ideal and practical method for implementing his "President-to-people" dialogues; it could be equally useful for you and your fellow Congressmen and Senators to help you meet with your constituents back home.

Unfortunately, NASA, the agency responsible for the technology which made possible the worldwide satellite communication business, has not been funded to develop new communications technology techniques because of a shortsighted Federal policy. The vistas opened by the potential of the public-service broadcast functions I have mentioned are appropriate areas for Federal research, development, and demonstration leading to industrial commercialization paralleling that of today's communication satellites, and such activities should be made an essential element in future space programs. We are, again, gratified to see the recent National Academy of Sciences recommendation that NASA return to active communication satellite R. & D. at a $50–$75 million annual level; a position paper by the AIAA was one of the inputs to that study.

Also in this book are some marvelous examples of the work of Landsat, which NASA Administrator James Fletcher called potentially the most valuable benefit of the space program to date. But, Mr. Chairman, the present Landsat effort is a technology demonstration, not an operational program. Landsat data have been used for agriculture, land-use planning, forestry geology, marine environment, air and water pollution control, mineral exploration, pest and disease control, flood control, and other uses, as we've documented in our book. But the deployment of an operational Landsat system to regularize and commercialize these services, much as has been done to regularize and commercialize communications satellites services, remains a difficult struggle now being waged by NASA, which is primarily an R. & D. agency rather than an operational one. A mechanism needs to be established to exploit the invaluable Landsat technology. Meanwhile, work leading to the demonstration of such a system, in the form of the current Landsat D effort, must be strongly supported, and we commend that new start in fiscal year 1978 budget.

I must mention, however, a deficiency in Landsat D that needs to be corrected. There is no provision for the spacecraft to carry a multispectral scanner. The multispectral scanner, the eyes of the present Landsat system, is to be replaced by an instrument called the Thematic Mapper on Landsat D. But the multispectral scanner is also needed because (1) the Thematic Mapper is an experimental instrument and needs to be backed up by a proven instrument, (2) the data from the multispectral scanner are needed to provide a basis of comparison with the data from the Thematic Mapper so that its effectiveness can be assessed, and (3) it will be expensive to adapt present ground stations to receive the Thematic Mapper data, and a continuous source of the old type data will be needed until such replacement can be made. This problem is accentuated in developing countries. I hope that your committee will look seriously into this matter.

There's an exciting chapter in our book on "New Potentials." One of those is manufacturing in space. The next decade will see the operational use of the space shuttle and the European-developed Spacelab. This combination offers a truly unprecedented opportunity to explore the potentials, barely opened by Skylab and Apollo-Soyuz, for manufacturing products in the unique space environment. Near-zero gravity and virtually infinite vacuum are characteristics which can be exploited for the manufacture of many products having substantial Earth markets—like serums, vaccines, metals and semiconductors with high purity—and almost certainly numbers of as yet unknown products for future markets. We hope that these potentials can be explored extensively in shuttle/Spacelab.

On page 65 of our book we come to a subject of possibly great importance to the Nation's energy future. NASA's Deputy Administrator, in his address to the AIAA's annual meeting this past January said: "The most controversial, the furthest off in the future, and yet the most significant (space applications area) for societal survival is the large-scale exploration of solar radiation for gen-

erating terrestrially consumed electrical power * * *. At present, we are certain our present technology can build a space solar powerplant and its ground receivers, and that we can produce gigawatts of electric power on a routine basis."

This is strong statement, but the AIAA believes it to be an accurate one. A major barrier to the implementation of usch power stations ,as with all new technological approaches, is cost. Virtually all other aspects are favorable: the continuous availability of unatenuated solar radiation, which allows the space-based solar powerplant, unlike its Earth-based cousin, to be a source of baseload electric power; the release of all waste heat outside the Earth's biosphere; the relatively small projected environmental impact of the microwave ground link as compared with ground-based fossil, nuclear, or solar powerplants; the prospects for exceptionally high plant availability and long life due to the totally predictable environment—for example, no rain, hail, sleet, snow, corrosion, windstorms, tornadoes, hurricanes, tidal waves, or earthquakes—and the removal of a necessary "evil" of our mechanical civilization to a location sufficiently remote to preclude the usual "bad neighbor" image of a huge powerplant.

There are, of course, many as-yet unsolved technical and environmental problems. The cost factor is another important one. A major cost-elevating factor in all the alternative systems being considered is transportation into geosynchronous orbit of the massive powerplant structure. Innovative conceptual designs to minimize this transportation cost continue to be pursued, and three totally different approaches have offered promise during the past year of major cost reductions. Further delineation of these concepts, and the experiments needed to evaluate them carefully and accurately, are now needed in order to establish as soon as possible the economic feasibility of the space-based solar power concept. As a result of congressional hearings encouraged by the AIAA, $5 million for space-based solar power system research was authorized for the fiscal year 1977 budget, half for ERDA and half for NASA. However, not only wasn't this relatively small sum actually spent, but the fiscal year 1978 budget of neither agency mentions the subject. Less than $1 million of related study funding appears in the fiscal year 1978 NASA budget. The NASA Administrator testified before a House subcommittee a few weeks ago that "It looks like we are in for an orderly termination of that program," and essentially reiterated that position before a Senate subcommittee in more recent hearings. Moreover, NASA's fiscal year 1978 budget requests in both the areas from which these funds might be drawn—Advanced Programs in the Space Flight Office and Energy Technology Applications—were substantially reduced from fiscal year 1977 levels. And despite the clear recommendations for a 3-year, $20 million study effort made by a special ERDA task force set up under Dr. Robert Summers' chairmanship to evaluate space-based solar power concepts, there was no mention of space-based solar power anywhere in the fiscal year 1978 ERDA budget. It is of interest to note that the fiscal year 1978 research budget for nuclear fusion is well in excess of $300 million. Fusion is considered by many AIAA members familiar with both fields to have less promise for providing early and economically practical large-scale power than space-based solar powerplants, and moreover would eventually develop excessive thermal energy dissipation in the Earth's biosphere, which the space-based system avoids.

Clearly, space-based solar power is an area of major potential involvement by aerospace technologists concerned about the energy future of the Nation and the world. The AIAA therefore supports a major budgetary emphasis in fiscal year 1978 and subsequent years for a comprehensive research effort whose initial goal will be to generate a credible basis for proceeding with a demonstration that solar power collected in space can provide economic, reliable, pollution-free power in commercially sizable quantities to the Earth's peoples.

The AIAA pledges its support to such an effort, by helping in any way we can to formulate the research program itself, communicating its progress and data to the entire aerospace and energy technology community, and seeking to encourage public and institutional recognition wherever possible. We earnestly solicit this subcommittee's support in obtaining, at the very least, acceptance of the specific recommendations made by Summers' ERDA task force, and also in supporting substantial increases in the associated NASA budgets; for example, advanced programs and energy technology applications.

As you may know, the AIAA has reviewed NASA's January 1976 Outlook for Space, and has also expressed its members' viewpoints in key areas by two other recent studies: "Exploration of the Solar System: An AIAA Review" (1974)

and "Solar Energy for Earth: An AIAA Assessment" (1975). The AIAA encourages the strongest possible across-the-board activities in space science—exploring the bodies of our solar system and its visitors (comets) by appropriate spacecraft flybys, orbiters, landers, and sample-return missions; using the unique "seeing" characteristics of the space environment to observe and study distant stars and galaxies, particularly our own star—the Sun; and studying the Earth itself by using to the fullest extent the vantage point that only an orbital platform can provide.

In these areas, we recommend the new starts represented by the Jupiter orbiter probe, and most particularly, the much-delayed Space Telescope. Our astronomers have had to wait far too long for this key instrument, and arguments that "space will still be there tomorrow for us to look at"—arguments which call for that money to be spent in critically needed social programs—fail to recognize that the economy on which we thrive depends directly on the findings of basic research such as is represented by the Space Telescope. It was astronomy, the "Queen" of the sciences, that led Newton to the formulation of his laws of motion—the basis for our entire industrial civilization. Astronomy also led Einstein to consider the physics which led to his mass-energy relationship. The Space Telescope is perhaps the biggest step we will make in viewing the heavens since the development of the reflecting telescope. Its effect on "seeing" is truly phenomenal: the 200-inch Palomar telescope on an average clear night, has the same resolving power as a 4-inch space telescope. The Space Telescope gives us accessibility to perhaps 400 times the volume of space accessible to astronomers today; it is estimated that over 100 astronomers—worldwide—will use the Telescope every year. Not to take advantage of the availability of the Shuttle which makes possible the use of this exciting new instrument is like walking to the edge of the Grand Canyon and not looking down. Remember, even if we go ahead with the Space Telescope this year, it doesn't fly until 1983 or 1984. It has already been delayed too long, and the AIAA is delighted to see it, at last, as a firm element in the fiscal year 1978 budget.

But there just aren't enough new starts in space science. A recent TV program on NOVA highlighted the close relation between events on the Sun and the weather here on Earth. I don't have to stress what the weather has done to us this winter; not to those of you from the Midwest and Northeast. Can we afford not to orbit a new solar observatory? The Solar Maximum Mission, scheduled for launch in 1979, is indeed a good start, but represents only a baby step toward the understanding of the Sun that a major solar observatory could give us.

Finally, we're pleased that the fiscal year 1978 NASA budget request moves on the acquisition of five orbiters. Investment in the Shuttle is, after all, justifiable only if it is the major vehicle in a space transportation system. One cannot start a railroad with a few cars. One cannot plan for routine operations in orbit for NASA, DOD and the European Space Agency without a commitment to at least a minimum number of vehicles, all of which require a long leadtime and careful systems integration.

Some idea of the potential customers for the Shuttle is in this article appearing in the April issue of AIAA's magazine, Astronautics & Aeronautics. It's by a patent lawyer from Texas named Arthur M. Dula, and it's titled, "How Do U.S. Companies View Space Industralization?"

Dula surveyed 378 companies from the Fortune 500 list. A majority of the 20 percent who responded felt that space industrialization—not science, not research—would have significant impact on the gross national product by 1990.

The point has been made that a once-a-week Shuttle can carry more payload in a year than the entire space program has lofted to date. When industry fully realizes what's available to them in space, we believe there will be a waiting list for payloads.

Thank you, Mr. Chairman.

National Aeronautics and Space Administration

Mr. Boland. The committee has received a statement from Mr. James F. Arnold, a professor of chemistry at the University of California at San Diego on the proposed Lunar Polar Orbiter project of the National Aeronautics and Space Administration. The statement

will be placed in the record at this point.

[The statement follows:]

[Mailgram]

As chairman of the science working team of the proposed Lunar Polar Orbiter, I am submitting this statement for myself and my colleagues.

The scientific package for this mission includes eight remote sensing experiments, designed to make the first truly complete study of a planetary object from orbit. Seventy scientists are involved as principal and co-investigators.

I will resist the temptation to give a detailed account of the scientific program of the mission. It includes an integrated series of geochemical and geophysical measurements, which will result in a comprehensive inventory of the surface materials and properties of our sister planet. One of the most exciting possibilities is that we find ice in the permanently shadowed regions near the lunar poles.

As you know, the LPO mission was proposed by NASA to OMB for a new start in fiscal year 1978, but did not appear in the President's final budget. The House Science and Technology Committee decided to reinstate it. At this writing similar action is being considered on the Senate side.

We believe the key arguments are the following:

(1) It is a strong scientific mission at comparatively low cost. As such it has been supported by the scientific community and by NASA.

(2) It is ready to go. The rate of expenditure starts up fast toward an early launch. Thus it is appropriate as part of a jobs program package (like the $95 million Shuttle supplement).

(3) It is a global resource satellite for the Moon. As a direct benefit, it will give us a comprehensive inventory of lunar materials for long-term potential use in space. Indirectly, we believe we can transform the methods of resource survey from orbit, with benefit to studies of the Earth from orbit, the lunar sample work has actually done this for the study of terrestrial materials in the laboratory.

(4) This mission, if it flies, will be the first to use new data system concepts (like distributed processing). Hence it can make possible improved performance and/or cost economies for later, much larger missions.

(5) As the Science and Technology Subcommittee points out, this mission can be the first example of a new concept of cost-effective exploration missions to the terrestrial planets and major planetary satellites.

We hope our enthusiasm for this mission will be contagious. We do believe it can open a new chapter in planetary exploration, for the benefit of all of us.

HUD-Community Development and Housing Programs

WITNESS

MAYOR MOON LANDRIEU OF NEW ORLEANS, FOR THE NATIONAL LEAGUE OF CITIES AND U.S. CONFERENCE OF MAYORS

Mr. Boland. To introduce one of the distinguished members of this Nation, one of the finest mayors, one of the topnotch people in our party, I yield to our lovable and distinguished colleague from New Orleans, Mrs. Boggs.

Mrs. Boggs. It gives me extreme pleasure to present a person who is probably one of the most knowledgeable in this country on housing and urban development programs and certainly has been the most articulate spokesman for urban America at home and abroad. He understands the impact of energy, trade and commerce upon the economy. He has a remarkable grasp of the budget process and innovatively using Federal programs to meet priorities at home.

I present Mayor Moon Landrieu, representing the National League of Cities and the U.S. Conference of Mayors, both of which organizations he has headed in the past.

Mayor LANDRIEU. It is a pleasure to appear before you, Mr. Chairman, and to represent the U.S. Conference of Mayors and the National League of Cities. It is a pleasure to have Lindy Boggs take the time to attend this meeting and to introduce me so graciously.

I would like to submit a formal statement to you which I hope will be of service to the committee, and I will try to summarize what it contains. We know you have had a lengthy session this morning and perhaps your questions would serve you better, or my answers to those questions than my reading this formal statement.

The statement does contain the position of the U.S. Conference of Mayors and National League of Cities, and I think it presents it quite well.

We have been very, very satisfied on a whole with the community development block grant program. We think it has worked well and we believe it is the cornerstone for rebuilding the American cities. It is not the only program. There are others of vital importance to us. But the community development program is one that lets us put everything together. It gives us the opportunity to make use of the many Federal and State and local opportunities that are afforded to us to help rebuild the center cities.

The bill submitted by the administration basically reflects the policy of the U.S. Conference of Mayors and the National League of Cities. I should say our policy is quite consistent with what the administration has recommended.

We are very supportive of the $4 billion that the administration has recommended for that program, as well as the $400 million for the urban development action grant program. We basically are supporting both the $400 million for that as well as the additional formula.

Frankly, without that flexible grant money, we are not sure the dual formula approach would do perfect justice. But it is the coupling of that new formula with the $400 million grant program that will be set aside for the programs that cities find themselves without the capacity to pursue with just their entitlement moneys that we applaud.

Under the dual formula system, what we ultimately hope to do is to phase out of the hold-harmless situation in which we find ourselves and yet to do it in such a painless way that it begins to transfer rather immediately the money which Congress appropriates to those areas which are in the greatest need. It essentially meets what we think the administration's objectives to be and that is to begin to target more clearly, more directly, the intergovernmental transfer of aid which the Federal Government is prepared to give to its local governmental units.

The new additional formula, insofar as we are concerned, while it is not perfect, is an acceptable formula. I doubt any human being could develop a formula that would be acceptable to everyone. It is a better formula than the one that is currently in effect.

We think by running them in tandem, certainly it will lessen the burden and impact on those communities that have been deeply involved in the categorical grant system. We think the $350 million set aside for the metropolitan balance is adequate.

It provides $288 million to meet the hold-harmless and discretionary needs for the cities under 100,000 population.

In the housing field, we are supportive of the need for funding 400,000 additional units. We do have, however, some additional recommendations.

That is, we feel that more money ought to be put in the section 312 program. We believe a funding level of $130 million in that area is adequate. What happens in rehab is that many people look at it and in the early stages question whether or not it's a total success.

We haven't found any easy way to do rehabilitation for the poor—no easy way. Rehabilitation is coming about, naturally, for many of the upper-income families. That is, there is a rebuying of homes in many of the central cities by people who have the wherewithal to do it without Federal assistance. But that is rather expensive housing that is being made even more expensive by extensive rehabilitation. When we get into the rehabilitation of the average poor home, it becomes an exceedingly difficult program from which to produce immediate results.

As the cost of housing continues to increase, we are satisfied that the rehabilitation program is the only way that we are ultimately going to redevelop the inner cities. It is not going to be done by tearing down the structures that are there, but rather by taking those structures that have useful life in them and rehabilitating them.

The difficulty is that in doing it, one is not starting with a clean slate as if you were developing a new subdivision, with new drainage, and with one landowner developing all of the land. In rehab, you are already faced with certain givens: be they poor streets, poor drainage, deteriorating neighborhoods, families already living in the house around whom the rehabilitation must take place, and inevitable relatively low-income which makes it difficult for that person to meet the rehabilitation requirements and new housing standards.

It is only appropriate that we should upgrade those conditions. However, it makes it difficult to package that program. Without the section 312 rehab program we will never get to the point where we are effectively doing a substantial amount of rehabilitation.

We would like to recommend a continuation of the tandem program. I know it is something this committee does not deal wtih directly, but we honestly believe that in trying to improve the housing conditions of this country, we will not do it with only one kind of program, whether rehabilitation, section 312, or conventional housing.

HOUSING PROGRAM OPTIONS

We are convinced more than ever, because of the diversity of this country, that what is needed is a reasonable number of options out there for each community to choose. Without that, and providing only one or two programs, we are going to ignore the needs of many, many communities that have special needs.

So the broader the number of options, within reason, that are provided to us by the national Government, I think the greater effort we are going to make in terms of improving our housing in this country, whether through new housing or rehabilitation or some other method of recycling.

We are concerned also that Congress not preoccupy itself only with the numbers. We are concerned about where housing will be built and

for whom it will be built. If we preoccupy ourselves only with numbers, it is probable that that housing will end up as new housing, suburban housing, adding to the suburban sprawl and running exactly counter to what our new energy policies are going to have to be, or what the energy crisis facing this country will require us to do. That is, to improve our density and use systems that will provide more economical ways of transportation as well as more efficient energy use. We are satisfied that tremendous savings can come through density. But in some cities, our density is too high already and should be reduced. But in many areas the density in this country is far too low so that it creates a sprawl kind of situation and doesn't really permit you to develop a mass of population which provides a kind of economic savings.

We urge you to be cautious about looking at numbers.

RESEARCH NEEDS

The last thing I would like to stress is the need for research dollars. They are the softest dollars that we have in the sense of proving they are productive, because it is hard to show a tangible result coming immediately from the expenditure of research dollars. Having dealt now with local government for more than 10 years, I can assure you that it is the really significant hope for improving efficiency at the local level. Our needs have been so great in the past that every dollar we had has been spent on the immediate urgent needs. It is difficult, when being faced with cries for additional police protection, fire protection, and sanitation service—those things that are felt and seen on a daily basis—to divert any amount of that money into policy planning and into research and development.

All that means is without it we continue to make the same errors that we have made before. There are many things for which we do not have answers and for which we will not find the answers for some time. We know in the process of searching for those answers we build the capacity of them managing themselves. Without the 701 moneys, we will not be in a position to build that capacity.

We can operate at the same level we are operating at, but that level seems to be unsatisfactory across the country. There may be some operating at a level that is satisfactory, but not many. Just as Congress has found a tremendous need to strengthen its capacity in dealing with the Executive budgetary process, so local government in trying to utilize the resources better that we have, has to have some capacity-building process.

The 701 program has done that for us. We would like to see additional money placed in the 701 program.

Likewise, in terms of the HUD budget itself for policy planning, we would like to see that money increased to $80 million a year.

HUD has asked for only $60 million. We feel so strongly about policy planning and research and development that we think they are too modest in what they request.

We are satisfied that we can provide better service at the local level if we have better technical assistance and develop new methods, rather than continue to deal with the old systems that we have been saddled with through historical development.

Mr. Chairman, that completes the statement. I hope I have covered the major points.

Mr. BOLAND. You have presented it well, Mr. Mayor. As one who has dealt with these problems effectively in your magnificent city of New Orleans, I think you understand the problem a lot better than most of us. We will put your complete statement in the record at this point.

[The complete statement follows:]

STATEMENT OF MOON LANDRIEU

My name is Moon Landrieu, mayor of New Orleans, La., and I am testifying today on behalf of the U.S. Conference of Mayors and the National League of Cities in support of appropriations for the community development and housing programs of the Department of Housing and Urban Development. The community development program has worked well in cities and improved the capacity of local government to deal with basic urban development problems.

Mr. Chairman, in the past decade, local governments have been forced to assume an increasing number of responsibilities. No longer is the primary responsibility of local government picking up the garbage, catching crooks, and putting out fires. We are now deeply involved in housing, community development, transportation, economic development, and environmental protection. In many of these areas our responsibility goes far beyond planning. Local government now operates public transportation firms, and in many cities, is responsible for the management of public housing, operation of manpower training programs, and so forth. The community development program is providing a platform on which programs dealing with this broader range of responsibilities can be built. It is the major, but by no means the only, Federal program cities use to tie together activities in order to achieve concurrently Federal and local public objectives.

I would like to submit for the record a copy of the policy positions of the Conference of Mayors and the National League of Cities on housing and community development. Our policies were, to a large degree, embraced in legislation submitted by the new administration in the field of community development. The $4 billion community development program is largely consistent with the policy of our two organizations which called for an increased level of funding as well as an improved and more equitable distribution of funds among cities based on their needs. In addition, we called for a new effort in the community development field to deal with those activities, while important for community development purposes, had been difficult to fund with the regular citywide community development funding arrangement. There is a need in many cities for large-scale undertakings in which a relatively small amount of public money will result in significant private investment. The new administration proposed a funding level of $400 million for the urban development action program to address this need as well as for large-scale rehabilitation or neighborhood reclamation and economic and commercial development. We strongly support this new initiative on the part of the administration.

From our standpoint it is extremely important that these programs be funded at the proposed levels. The administration, in our view, has achieved an important balance between the overall needs of cities for a predictable level of funding to meet ongoing community development needs and a special program for targeting moneys on distressed cities to take advantage of unique opportunities for obtaining significant amounts of private investment. The combination of a more equitable formula with a special urban action grant fund to target assistance on distressed cities, we feel, provides the Department of Housing and Urban Development with a means for more effectively meeting the intent of the Housing and Community Development Act of 1974.

There is no perfect formula; however, we support the proposed formula in part because the action grant program will be available to provide funds to cities with special needs. In short, we feel that both the new formula and an urban action grant fund are essential for the community development program to achieve equity and insure targeting of funds on those locations with greatest need and potential for achieving national goals. We, therefore, strongly urge the committee to approve the administration's $4 billion community development program request with $400 million earmarked for the urban development action

grant program, $100 million for urban renewal closeouts and $3.5 billion for formula allocation. This funding arrangement proposed by the administration provides an equitable balance among the competing needs of cities of all sizes. The proposed $350 million set-aside for metropolitan balances results in $289 million to meet the hold-harmless and discretionary balances needs of cities under 50,000 in SMSA's. This amount appears to be adequate.

HOUSING

In the area of housing, we are generally supportive of the administration's request for funding to permit 400,000 units of subsidized housing. We applaud their proposal to fund new public housing projects since it is our view that a multiplicity of subsidized housing programs are needed and we should not place complete reliance on one program. Some programs work well in some cities, but not in others, and we feel local communities should have the ability to select those programs best suited for their particular situations. We also support the administration's request for increased operating subsidies for traditional public housing.

However, we urge the committee to expand funding for the section 312 rehabilitation program. This popular successful housing loan program has a low default rate, is operated by local government in many cities, and meets a real need. A program level of $130 million for fiscal year 1978 would maintain the program at about its present level. We suggest that the committee use this figure as a benchmark for its deliberations.

The Conference of Mayors and the National League of Cities were also disappointed that the administration did not recommend continuation of the tandem program authorized under the Emergency Housing Act. It is our view that the type of secondary mortgage assistance provided by the Government National Mortgage Association could be helpful to cities. In the recent past, the program has, to a large degree, benefited further urban sprawl and higher income people to a greater extent than I believe the Congress intended. This program, however, could be used, as it was originally, to support the provision of long-term mortgage financing for assisted housing being developed in cities. It should be possible to tie the tandem program to locally approved housing assistance plans or to place a priority for the use of the tandem program on projects and activities which are part of an approved community development program. It is certainly possible to demonstrate that a shortage of mortgage credit exists in many of the cities and in many neighborhoods of those cities there is a need for housing rehabilitation and new construction. It is our view that the tandem program should be continued and expanded, but its use should be limited to priority public needs as expressed, for example, through the locally approved housing assistance plans. We urge the committee to support appropriation of all tandem funds which have been authorized.

We are also concerned about whether housing assistance funds available are being targeted on areas of greatest need. In addition, we hope that, to the extent possible, locally prepared housing assistance plans will determine the allocation of funds between new construction, rehabilitation, and existing housing. The 1974 act directs HUD to allocate funds based on relative needs (section 312(d)). Now that a new formula for community development has been proposed, we hope that a review will also be made of the allocation of housing assistance funds.

We are fearful that a new emphasis on housing production alone may unduly influence the allocation of housing funds. It would be a mistake to define the problems of housing production as simply one of total numbers of units. The questions of housing location and for whom the housing is being provided are just as important as whether it is available. The high housing production years of the early 1970's resulted in more units than the market could absorb; in some part of the country, contributed to urban sprawl, increased the problems of racial and economic segregation and contributed to further decline of central cities.

Further complicating the allocation program are the national set-asides for property disposition and loan management, housing for the elderly, State agencies, and other uses. It appears that less than half of all assisted housing funds will be subject to allocation through HAP's.

A strong emphasis on housing production and a significant set-aside of funds could have the effect of seriously limiting assisted housing funds flowing into those

areas where the need is greatest. We hope that the committee will support our efforts to insure that assistance funds are focused on areas of need and that local communities have a significant role in deciding the use of whatever funds are available.

We, therefore, support the proposal in the fiscal year 1978 budget which requests action by the Congress on a budget authority figure for assisted housing payments, but not a figure for contract authority. We favor this approach if it results in providing local communities with the flexibility needed to make decisions through housing assistance plans on the allocation of funds between new, rehabilitated, and existing housing.

Local communities should also have a stronger role in the decisionmaking about the allocation of operating subsidy funds. The allocation of subsidy funds between existing problem projects and expansion of housing opportunities for lower income people is a critical issue for any local community development program and the HAP which is part of it. In view of the large amount of section 8 funds now proposed for dealing with problem projects, we urge the committee to support a strong role for local government in determining the use of operating subsidy funds. The HAP should influence the use of all assisted housing funds including those used for operating subsidies.

OTHER FUNDING NEEDS

The problem of obtaining long-term financing to carry out soundly planned community development and housing activities will continue to be a problem. Unfortunately, one of the tools to deal with this problem authorized by the Housing and Community Development Act and partially funded through this committee, has not been effectively implemented. Section 802 of the legislation provides for Federal guarantees of taxable bonds which receive an interest subsidy issued by State development agencies. It is our view that this provision could be effective in assisting communities to obtain private financing needed for community development. We applaud the committee's approval of $15 million and its refusal to accept a rescession submitted by the prior administration. It is our view that this program should be implemented, made easier for local governments to use and become an important additional tool for communities in carrying out community development. This provision would be especially significant in aiding the implementation of the urban development action grant program.

I would like to conclude my remarks with a strong plea to the committee for adequate levels of funding for policy development, research, and for the 701 comprehensive planning program. Local government is now an administrator of many programs of deep significance to local communities, as well as to the Federal Government in achieving sufficient, productive use of Federal tax dollars. Most local governments of all sizes throughout the Nation in all regions of the country are strapped for money. We have been increasing taxes and laying off people while the Federal Government has been reducing taxes and financing programs to increase employment. We have been put into this situation because of local constitutional requirements. We are required by law to balance our books.

At a time when improvements in management, planning, and resource allocation are at a premium, we being forced to cut back on our ability to finance these activities. When a mayor and councilman have to decide between an improved planning and management system and laying off desperately needed policemen and firemen, the planners must go. We, therefore, urge this committee in the strongest terms possible to aid us in spending our money more effectively by supporting the 701 capacity building program and providing a higher level of funding for policy development and research. Funding is proposed at woefully inadequate levels and if inflation is taken into account the funding for these activities from the Federal Government has been declining at a precipitous rate. We have urged funding for 701 at a level of $150 million and would like to see the policy development and research budget increased from $60 to $80 million per year. We know that these funds can be used effectively to find new ways of making more effective use of Federal dollars by planning, by productivity improvements, and by a better integration of the Federal funds with local budget processes.

Thank you.

(Policy positions of the Conference of Mayors and the National League of Cities on housing and community development, are on file with the subcommittee.)

Mr. BOLAND. We do deal in a sense with the tandem program, because the $10 million authorization has to be released in the appropriations bill and this committee has released $5 million of that $10 million authority. It is interesting that you dwell on it a bit. I was not aware that the tandem program actually was used to a great extent in those areas where housing is so essential.

I am talking about in the inner cities, in the core city itself.

Mayor LANDRIEU. It hasn't been, but it can, we think.

It provides a vehicle, if properly administered, and offers another option out there. It is not going to recreate the world, but it provides another option.

Mr. BOLAND. With respect to the 312 rehabilitation loan program, a lot of the communities that are participating in community development are using funds for that program and it has been the judgment of this committee over the years that the 312 rehabilitation loan program—even the grant program—was a very essential program, if some of the older cities were to be saved, and if some of the neighborhoods were to be preserved.

As a matter of fact, this committee has probably kept the 312 program alive in past years.

We are pleased to have your comments on it and also on public housing, which, of course, is a difficult area and, as you have indicated in your statement, you are pleased that the Department of Housing and Urban Development has reserved some areas for housing. Public housing units run at a rate of $2,400 a unit, while the section 8 program runs around $3,900 to $4,600 a unit. It seems you can build a lot more public housing and shelter a lot more people under that program than you can under section 8.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

You were one of the leaders in the passage of the Housing and Community Development Act in 1974. That act never would have been passed wthout support of the Conference of Mayors and League of Cities, as you well know.

In order to get it passed they had to put a hold-harmless clause in there and it went into preserve the grants that were being made under the categorical grant program, to preserve the level of funding for those communities that would suffer.

All of the mayors that participated in the categorical grant program, who supported the 1974 act, recognized that the hold-harmless clause was going to phase out after the third year and now they are faced with the reality of a considerable cutback. But I understand the Conference of Mayors does support this position and does support the formula as advanced by the Department of Housing and Urban Development.

Mayor LANDRIEU. Yes, we do. It will work a hardship on some cities, but the dual formula takes the sting out of most of these cutbacks.

Mr. BOLAND. Do you think the new formula actually puts the money where the problems are?

Mayor LANDRIEU. I believe it is a better formula than the one we have.

I don't think it is a perfect formula. As I said earlier, no one can devise a perfect formula. It makes a better attempt at targeting the money to the need.

I think I could develop a better formula in all due modesty.

Mr. BOLAND. I am sure any mayor could.

Mayor LANDRIEU. I'm satisfied no other mayor of any other city would accept it as such. But in measuring what troubles our city, I think the age of housing is one of them. It is better measurement than population is. As we all know, poverty can be an absolute thing, but it is also a relative thing. You are poor in relationship to your circumstances or surroundings. A person can live in a rural area in what, if it were in city housing, would be assumed to be terribly poor housing and yet because of some fresh air and because of the quality of rural life, and actually have a better life than a person living in a tenement, even though the income level of that individual may be higher.

There is a tremendous blighting effect of housing that is so close together where the tenancy is unacceptable, as distinguished from that of other areas.

In the city of New Orleans we began an urban renewal project in the lower ninth ward. It is a poor area of the city and one that needed it. The thing that stuck out about the urban renewal project—a sensitive project, not a bulldozing project, rehabilitation, redoing the streets, even though the housing was very poor in that area—was we felt we could succeed, because the housing was not that dense.

There was a significant amount of homeownership with a front yard and a back yard. It was in the center city area of the city. The project was so enormous that the amount of money that it would have taken to redo the area completely would have been extremely large. And then, there would have had to have been a certain amount of housing made available. We would have gotten to that, but it would have been a more difficult problem than dealing with this poor neighborhood that already had a salvageable living condition.

Mr. BOLAND. Lindy?

Mrs. BOGGS. Thank you so much, Mr. Chairman.

Mr. Mayor, thank you very much.

I think that the mayor knows more about rehabilitation of cities than anyone I can think of. It has been remarkable what has gone into New Orleans where there has been excitement about the rebuilding of the city and the preservation of many of the neighborhoods.

And it has been done in a sensitive way, both in the public sector and private sector. The programs that are needed to continue to carry this out have been outlined very well by the mayor. I was very pleased to hear him say that we had adequate moneys in the $350,000 and that the dual system could work and could meet the problems that are going to be caused by phasing out of the hold-harmless sections.

I have nothing to add, except my compliments to him on what has been done and that we should listen to his views on what needs doing.

Mayor LANDRIEU. One of the things I might touch on, as this committee is familiar with, as are most Members of Congress, much of what

is effectively done depends on the cooperation between the HUD local office and regional offices and local government, irrespective of—sometimes unfortunately—what Congress does or intends to do.

We have been fortunate. We have had a very fine local director for HUD. Though I didn't know Tom Armstrong before and had no connection with him politically, he came into our community and dealt fairly and rationally and reasonably with the problems in the area.

Perhaps other communities were not that fortunate. So that in working with local governments, you can pretty well write those regulations the way you want to, and the regional and local directors can be as tough or cooperative as they want to be.

What we hope will come out of this legislation, as well as the interpretation by HUD, is that local government is given a serious and strong voice in the kind of housing mixes that we are striving for.

You deal in large figures in Washington, and you appropriate large sums of money and your intention is for it to be handled in a certain way, but when it gets to a local level it is not always handled that way.

I don't mean to place the burden on the Department of Housing and Urban Development. My experience has been that they are cooperative. But the experience of some is that things get distorted and programs don't get implemented in the proper way.

Mr. BOLAND. That ought to be a decision that could be made by the local community. As you have indicated, we should not target in or concentrate on one particular housing program. There are a number that you have mentioned that are still alive too.

We should look at the community and decide what is best for that particular area.

Mayor LANDRIEU. That is putting it in the appropriate context.

To elaborate on that, what we are dealing with in all of these programs, is basically a partnership between the Federal, State, and local governments and the private sector. That has to be a legitimate partnership. It has to be one that analyzes the problem and determines the need and proceeds to put together strategy to make it work.

It can't be a program that is announced from on high if Congress expects something to come out of the other end of the pipeline. We constantly think in terms of solving the problem. I wish we would get away from that kind of rhetoric in thinking that we are going to solve the problem.

The nature of cities and government generally is that they are forever changing. It isn't a beginning and end. This country is a living, breathing thing and, as we progress, we have in a sense changed the process.

We have improved the product and that is what we hope to do in the cities. We can improve the cities, and we can improve the product. We can improve the delivery system.

Mr. BOLAND. That is what all of these programs are attuned to.

Thank you, Mr. Mayor. We appreciate your presence very much and your testimony. We are delighted that you were able to appear before us.

WITNESSES

SAMUEL J. SIMMONS, PRESIDENT, NATIONAL CENTER FOR HOUSING MANAGEMENT

ROBERT CLEVELAND, MEMBER OF THE COUNCIL OF MANAGING AGENTS, NATIONAL CENTER FOR HOUSING MANAGEMENT

Mr. Boland. We will turn to Samuel J. Simmons, National Center for Housing Management; and Mr. Robert Cleveland, National Center for Housing Management.

I apologize for your being here so long and having to sit all morning.

Mr. Cleveland. The council appreciates the time you are giving us this morning.

We have a prepared statement, and we would like to touch a few of the high points. Mr. Daniel Grady, member of the council is also present.

The council is composed of 36 managing agents that manage 100,000 subsidized HUD units.

Mr. Boland. You only manage HUD-subsidized units?

Mr. Cleveland. We have conventional units also that make up the organization. We are vitally concerned with the immediate problem, as outlined in HUD's justification of their 1978 budget, that approximately 93 percent of the residents of the 236 development are relying primarily on incomes other than wages and salaries, which indicates that they are in a fixed-income area, social security, welfare, et cetera.

We, as managers and owners, since 1970—according to the HUD statistics—have faced an increase in operating costs of 68 percent, with personal income during the same period of time increasing only 29 percent. We are concerned because we don't know where the difference will be coming from, with reference to the obvious difference in the residents' ability to pay the rent structure required, to successfully manage or successfully operate a subsidized development.

And the trend, as we see it from all sources, is approximately a 7- to 10-percent inflationary-trend increase affecting the operation of these developments in the foreseeable future.

At the present time, HUD has approximately 175,000 units that are under rent supplement contract. At the same time, HUD has not asked for rent supplement funds for the year 1977 because of a survey that they are presently conducting to determine the full impact idea of these funds, plus the more definite figure that they will be requesting.

Their preliminary figure, as we understand, is they will need an approximate $30 million this year to take care of rent increases in the supplement program in 1977. They also estimate they will need another $40 million to be used for rent increases in fiscal 1978.

Now, on top of these 175,000 units, at present covered under the HUD supplement program, HUD also estimates there is an additional 180,000 units that are in such bad financial condition that they, too, will need an additional amount of money, of approximately $1,500 a year, to cover operating deficits.

It has been this council's concern that with the impetus placed on the construction of new units under section 8 that not enough thought has been given to the continuing existing problems with the present subsidy program; and we have three recommendations that we feel this committee can act favorably upon:

That you should consider the possibility of providing $70 million in total rent increases under the rent supplemental program for 1977 and 1978; and that HUD should be authorized to cover operating deficits in the 180,000 units of 236 and BMIR programs. They are presently experiencing difficulty, or will be in fiscal 1978.

We feel that the Department can use a variety of tools to achieve this benefit, which would be the additional rent supplement increase; the 236 operating subsidy; and, if available, section 8 funds.

In the Boston area—I think in the March 21 issue of the HUD report, they indicated there are 7,000 families, out of the Boston area office, who either face a terrific rent increase or displacement. Also, I understand the Boston area office was using section 8 set-asides to alleviate this problem.

We are requesting that the committee require that HUD come forth with the strategy to insure that existing subsidized multifamily housing stock remain viable over the long term. We realize there is no set pattern, or there is not set formula, at the present time—as Mayor Landrieu was pointing out—to take care of all of our housing problems.

Last, we are urging this committee to allocate sufficient funds to allow subsidized projects to receive capital funds necessary to perform physical improvements, such as additional insulation, storm windows, that will probably be required by the new administration's forthcoming energy standards requirements. The projects themselves can't afford capital improvements at the market interest rate. Some method of financing will have to be forthcoming at the subsidized rate.

Basically this is the concern of the council. I will be happy to answer any questions, sir.

Mr. BOLAND. With respect to your own national housing management service, you say you currently manage over 3,000 units of rental housing and approximately 2,500 of these are FHA-subsidized projects.

How many of these are behind? How many families who occupy those units are actually behind in their rents, or have not been able to meet the payments?

Mr. CLEVELAND. In my particular case, approximately 10 percent are delinquent every month.

Mr. BOLAND. Ten percent of the 3,000 units?

Mr. CLEVELAND. Yes.

Mr. BOLAND. Thank you very much.

Mr. Grady, did you want to add anything?

Mr. GRADY. The only thing that I might add, Mr. Chairman, is: I think the importance of this third point of allocating sufficient funds that would be available for the improvements, should be a requirement. The problem of cathodic protection—we were required by the Department of Transportation to make improvements in the gas distribution lines.

These projects don't have funds. Unless there is provision to supply capital funds at the standard repayment rate at low interest, the projects are going to face default, because they cannot meet these requirements. This is something which has not been touched upon by some of the witnesses that have appeared before you, and I would like to call this to your attention.

Mr. BOLAND. One of the recommendations you make is that HUD should have a strategy to insure that the existing HUD-subsidized multifamily housing stock should remain stable for the long term.

HUD was engaged in a funding performance program with the local housing authorities which seems to have been successful.

Mr. SIMMONS. That is only in the public housing area. We want the Department to come up with a systematic, comprehensive system to improve the quality of operations in those 624,000 units.

The big emphasis is going to be getting more housing out of the pipeline, rather than looking at the strategy as to see how to keep the existing units viable.

Mr. BOLAND. You are getting experience on both sizes of the street. You should be able to lend expertise in this area right now.

Mr. SIMMONS. Here in Washington?

Mr. BOLAND. The center is here.

Mr. SIMMONS. Yes; and council members come from all over the country. Council members manage 16 percent of the entire FHA-subsidized housing supply, and they are helpful to us in keeping us abreast of the day-to-day problems and, also, of the activities within HUD concerning this matter.

Mr. BOLAND. Thank you for appearing before the subcommittee this morning.

[The complete statement follows:]

STATEMENT OF ROBERT CLEVELAND

Mr. Chairman, and members of the committee, my name is Robert Cleveland. I am president of the National Housing Management Services, Inc. in Macon, Ga. We currently manage over 3,000 units of rental housing, approximately 2,500 of these are FHA subsidized projects. Our projects are primarily in Federal region IV—the States of South Carolina, Georgia, Alabama, and Florida. I also serve as a member of the National Center for Housing Management Council of Managing Agents which is a group of 36 managing agents from every region in the Nation who are responsible for the management of over 100,000 units of FHA multifamily subsidized housing. This council meets quarterly to discuss problems and issues relating to the day-to-day management in FHA subsidized housing, and advises the center and HUD on how improvements can be made in the administration of the various Federal housing programs. Each member of the council is committed to the national housing policy "to provide a decent, safe and sanitary home for every American." Although we have never seen it stated as national policy, we also believe that maintaining the financial viability of every federally assisted project is a goal which must be pursued by Congress, HUD, resident and managing agents. It is in relation to these two goals that I appear here today.

On the whole, we are generally satisfied with the array of programs which are available to produce housing and provide for proper operations of projects for low and moderate income residents. We are encouraged to see that the new administration has chosen to use most of the program tools available and has requested adequate funding to meet the real rather than imaginary needs in these projects. There are, however, several gaps which we feel must be looked at if we want to insure the financial viability of the existing subsidized multifamily stock as well as those which will be coming out of the production pipe-

line during the next 12 months. Some of these problems will involve statutory changes in the programs, others will involve new approaches from the standpoint of administrative regulations. Although we have a number of specific recommendations to make relating to eligibility requirements, authorization levels, operating and reporting procedures, we today are confining our comments to those matters which are within the jurisdiction of this subcommittee, namely the most cost effective level of funding of these programs for fiscal 1978.

We congratulate and support the Department of Housing and Urban Development for the general level of funding it requested for section 8 and for public housing development, modernization and operating subsidies. We are, however, deeply disappointed on the failure of the Department to ask for adequate funding to cover deficits incurred in the operation of FHA-subsidized projects.

The Housing and Urban Development Reporter in its March 21, 1977 issue reports that operating costs for multifamily projects have increased by 68 percent since 1970. The council of managing agents is aware of situations where the costs of utilities during this past winter have doubled—where hazard and liability insurance, if it is available, has increased by 150 percent, and where local taxes have increased by 40 percent.

In HUD's Justification for the 1978 Budget, they estimate that 93 percent of the residents of 236 developments must rely upon income from sources other than wages or salary, that is, welfare payments, social security, retirement and other fixed income sources. HUD's data also reveals that the average rent being paid by a 236 resident has risen from 28 percent to 30 percent of gross annual average income between the years 1975–76. In other words, 236 residents are currently paying on the average more than 5 percent above that which was the goal in the National Housing Act.

All of these developments are taking place in an environment where tenant income has increased only 28 percent over the last 7 years. Where does the harassed owner and manager look for relief? He recognizes that even under the most ideal circumstances, the margin between breaking even and being in the red is less than 5 percent. There is no relief in sight for a reduction in operating costs. All indications are that the 7 percent to 10 percent per annum increase in operating expenses will continue into the foreseable future.

At the present time, there are approximately 185,000 units of FHA subsidized housing under rent supplement contract. An analysis of HUD's data indicates that the Department needed $30 million to take care of rent increases during fiscal year 1977. The Department did not request any funds from Congress. It was also estimated that approximately $40 million would be needed for rent increases during fiscal 1978. The Department did not request this amount. In other words, there is a gap over 2 fiscal years of approximately $70 million which is needed for rent increases under the rent supplement program.

In addition, HUD estimates that approximately 180,000 units of 236 and BMIR projects will require the infusion of additional operating funds to remain financially viable over the next 12 months. On the basis of HUD's own estimate of $1,500 per year operating deficit, these projects will have a need for $270 million of additional operating subsidies. We have discussed these matters with various representatives of HUD and have been told that the Department has a high priority study underway to come up with a long-term solution to this problem.

We do not feel that owners, investors, residents, and managers can afford to wait until another fiscal year for a solution. Whenever rents cannot be paid—mortgages cannot be kept current—maintenance cannot be maintained—the project goes into default and foreclosure—the project becomes a burden of the Federal Government and residents are the first to suffer.

We recognize that the ultimate solution to operating deficits in the existing FHA-subsidized multifamily stock is long term in nature. In the meantime, however, it is mandatory that we have some stopgap measures to deal with the rapidly increasing costs which are daily causing viable projects to deteriorate at a geometric rate.

We are looking forward to cooperating with this committee, the Banking and Currency Committee, and the Department of Housing and Urban Development in bringing about some structural and administrative changes in the manner in which the operations of these projects are subsidized. Over the short term, however, we would like to recommend that at a minimum, this committee take the following action:

1. For fiscal 1978, provide approximately $70 million to cover rent increases under the rent supplement program for 1977 and 1978. HUD should be authorized to cover the operating deficits in the 180,000 units of 236 and BMIR programs which will experience financial difficulty during fiscal 1978. The Department can use a variety of tools to achieve this benefit, that is, additional rent supplement increase 236 deep subsidy, 236 operating subsidies and, if available, section 8 funds. We urge Congress to appropriate sufficient funds in the first-named program and thus avoid the diversion of scarce section 8 funds to loan management.

2. We request that this committee require that HUD come forth with a strategy to insure that the existing subsidized multifamily housing stock remain viable over the long term. This, no doubt, will involve new performance standards for management, streamlined rent increase procedures, simplified reporting requirements, and a flexible system for providing operating subsidies.

3. Lastly, we urge the committee to allocate sufficient funds to allow subsidized projects, operating at best on a breakeven basis, to receive the capital funds necessary to perform physcial improvements which will be required by the administration's forthcoming energy standards. Although operating constraints do not allow these projects to assume additional debt at market rates, sufficient long-term savings might be generated to repay the capital advances necessary to comply with those forthcoming regulations.

There is no easy or inexpensive answer to these problems. We must recognize that housing programs were intended to benefit low-income people. The Federal Government can assist individuals to continue to remain in a viable and safe living environment or it can pay the price of the disruption of families and the high cost of foreclosure, acquisition, and disposition.

I appreciate this opportunity to appear before you and I am available to answer any questions you may have.

EPA—Solid Waste Program

WITNESS

CHARLES MERRILL, COUNTY ADMINISTRATOR, ONONDAGA COUNTY, N.Y., ON BEHALF OF ONONDAGA COUNTY AND THE NATIONAL ASSOCIATION OF COUNTIES

Mr. Boland. We will now call Charles Merrill, county administrator, Onondaga County, New York.

I appreciate your patience today.

Mr. Merrill. I'm representing Onondaga County in the State of New York and the National Association of Counties.

With reference to the appropriations for EPA, we are distressed by the lack of adequate funding requests in both the Ford and Carter proposed fiscal year 1978 budgets for implementation of the new solid waste program. Neither budget requests anything close to the funding levels which the authorizing committees believed were necessary to implement this new program.

Specifically, the law mandates that States ban all open dumps in their State plans and recognizing without Federal assistance, many rural communities will not be able to comply with this requirement in the specified 5-year timeframe. The act provided $25 million for fiscal 1978 and 1979 to assist these rural areas.

The current budget appropriates no funds for this area.

We urge the committee to appropriate the full $25 million both to assist the rural communities in complying with the mandate of this program. We urge the committee to appropriate full authorizations for the planning and implementation of programs mandated by this new law.

The law authorized $30 million for fiscal 1978 to assist State and local governments to develop State/regional solid waste management plans.

We support the development of solid waste management plans at the State and regional level.

We have been working with the NACo representatives trying to develop these guidelines. The plans are vital to insure effective management of the increasing volume of waste gnerated in this country.

Without some Federal incentives, local governments would be hard-pressed to find dollars to commit to this effort. In addition, appropriations for solid waste planning funds should not be incorporated in the 208 water planning program.

We believe that $15 million authorized by the law is too low. Availability of these funds will insure that some of these waste plans may become operational. The law also authorizes $25 million for fiscal 1978 to assist States to manage the newly required hazardous waste program. With the increasing dangers of hazardous waste, we believe the program should be fully funded to assist States in establishing an effective hazardous waste program.

I will be submitting for the record the statement of the National Governors' Conference with respect to the funding of the Resource Conservation and Recovery Act of 1976.

With reference to the 208 water planning program, NACo, continues to be distressed by the lack of Federal commitment to funding the 208 water quality planning program, as evidenced by the lack of fiscal 1978 budget requests in both the Carter and Ford budgets.

Many 208 agencies which are nearing completion of these plans will have to let staff go unless additional funding is made available. With the assistance of Federal funds, we believe that many 208 agencies will complete their 208 water plans within the next 2 years.

We are pleased to see that the House budget report contains a provision to provide the $150 million that the House Public Works Committee believes is necessary for the 208 program in fiscal 1978. We urge full appropriation of this $150 million. Additionally, we believe that this funding should be made available at 100-percent level for newly designated agencies as stipulated in the 1972 act.

With reference to construction grants, at the outset, Mr. Chairman, we would like to point out our strong support for the 10-year funding proposal contained in the Carter budget for the construction grant program of the Federal Water Pollution Control Act of 1972. Long-term funding is essential if communities are expected to make commitments to build or upgrade sewage projects.

NACo supports the funding level that the administration has requested for each year.

Moving to HUD appropriations, Mr. Chairman, with respect to appropriations for the Department of Housing and Urban Development, let me say that NACo supports the administration requests of $4 billion in fiscal year 1978 funding for the community development block grant program.

The increase from $3.2 billion in fiscal 1977 to $3.5 billion for the regular block grant program is necessary and should be supported by this subcommittee. To provide sufficient funding for metropolitan cities and urban counties under HUD's proposed rules formula as well as

insure adequate amount of discretionary funds for smaller communities. NACo has recently become a supporter of the administration proposed $400 million urban development action grant program as a result of the unanimous decision of the House Subcommittee on Housing and Community Development to allow urban counties to be eligible applicants for these grants.

The subcommittee's action came last week. As originally proposed, the program would have been available to distressed cities. NACo urges that the full $400 million for this program be approved.

Under comprehensive planning and management we were concerned with the limited funds proposed be made available for the section 701 comprehensive planning and management program. The administration has requested $62.5 million for fiscal 1978. This amount is the same as was appropriated for fiscal 1977. The administration further agrees with this subcommittee that metropolitan cities and urban counties not be funded with 701 funds. Instead, they are advised to use community development funds for planning purposes. As county officials have indicated to the subcommittee in the past, we believe this is contrary to congressional intent, which in the 1974 Housing and Community Development Act, provided separate funding for functional community development planning and separate funding for comprehensive planning under 701. We therefore shall fully urge the subcommittee to reconsider its directive to HUD that urban counties and metropolitan cities not receive 701 funding and to approve an appropriation of $80 million for the program. Authorization of this amount was approved recently by the Housing subcommittee.

With reference to the Rehabilitation laws, NACo urges the subcommittee to appropriate an additional $60 million for the section 312 rehabilitation loan program. This amount combined with the $70 million in carryover funds would permit the program to operate at a level of $130 million. The 312 program provides a very beneficial complement to the community development block grant program for the purpose of rehabiiltating substandard housing.

In other housing, NACo supports the administration's requests for authority under the section 8 housing assistance program to produce 400,000 units of assisted housing for fiscal 1978.

If there is any single key to effective community development, it is the existence of a viable housing assistance program. To date we have suffered from the lack of an adequate housing assistance program. We are encouraged by the attitude toward this problem expressed by Secretary Harris and we urge the subcommittee to assist HUD in this regard.

Mr. BOLAND. Does Onondaga County get into the housing field?

Mr. MERRILL. The county and also the city, now under the Community Development.

Mr. BOLAND. The county is actually a sponsor of housing under Community Development?

Mr. MERRILL. We break out the Community Development under five different areas. Part of which is to rehabilitate housing.

Mr. BOLAND. The county itself?

Mr. MERRILL. Yes.

Mr. BOLAND. What is the test of where you spend it within the county?

Mr. MERRILL. What we do is that the different towns and villages make up an advisory committee to the community development people within the county and they then determine what projects they want to go with in that particular area.

Mr BOLAND. With respect to the 208 water planning program, we think it's a good program. We don't think it has been handled very well by the Department and there was a supplemental request of some $69 million to implement this program. That was rejected on the basis that there were $137 million available, which has been impounded. We have told the Department to tell the Justice Department to stop appealing this and get the $137 million and use it.

I think that was a sound position for this committee to take. Stop fussing with appeals because they will lose the appeal anyway.

Ms. SHASKAN. I'm Carol Shaskan. We have been trying to get the Justice Department to give up that appeal. To date they have not done so. We have five 208 agencies around the country that are letting go of staff next month. We have been working on this court case for a year now and we don't seem to get any further commitment from the Carter administration to let go of it. That's why we are desperately needing additional funds.

Mr. BOLAND. We are putting pressure on them so this may be helpful.

[The complete statements follow:]

TESTIMONY OF CHARLES MERRILL

I am Charles Merrill, county administrator for physical services for Onondaga County, N.Y. I appreciate the opportunity to appear before your subcommittee today to represent the views of the National Association of Counties[1] as well as my own county with respect to fiscal year 1978 appropriations for the environmental protection agency and the Department of Housing and Urban Development. I will, of course, be focusing my remarks on appropriations for those environmental and housing programs which impact on county governments.

APPROPRIATIONS FOR EPA

The ability of county governments to implement environmental programs is in direct proportion to the level of funding appropriated for these programs. Because of this, we are most distressed by the lack of adequate funding requests in both the Ford and Carter proposed fiscal year 1978 budgets for implementation of the new solid waste program. Neither budget requests anything close to the funding levels which the authorizing committees believed were necessary to implement this new program. While local governments have eagerly awaited passage of a new solid waste law for several years, it is unlikely that they will be able to participate or comply with the requirements of the new act without the backup of Federal dollars. Specifically, the law mandates that States ban all open dumps in their State plans. Recognizing that without Federal assistance, many rural communities would not be able to comply with this requirement in the specified 5-year timeframe, the act provided $25 million for each fiscal year 1978 and 1979 to assist these rural areas. With almost half of the Nation's poor residing in rural areas and with rural unemployment in excess of 20 percent, many rural communities have barely been able to provide for vital Government services much less pay for innovative solid waste systems. While 63.1 percent of nonmetro (rural) areas have used general revenue sharing funds to aid them

[1] The National Association of Counties is the only national organization representing county government in the United States. Through its membership, urban, suburban, and rural counties join together to build effective, responsive county government.
The goals of the organization are to: improve county government; serve the national spokesman for county governments; act as a liaison between the Nation's counties and other levels of government; and achieve public understanding of the role of counties in the Federal system.

with their solid waste disposal programs, there are competing areas of need for these Federal dollars. Although the Carter budget proposes no funds for this area, we urge this committee to appropriate the full $25 million so as to assist rural communities to comply with the mandates of this program.

We urge the committee to appropriate the full authorizations for the planning and implementation programs mandated by this new law. The law authorized $30 million for fiscal year 1978 to assist State and local governments to develop State/regional solid waste management plans. NACo supports the development of solid waste management plans at the State and local level. These plans are vital to insure more effective management of the increasing volumes of waste generated in this country. Without some Federal incentives, however, local governments will be hard pressed to find dollars to commit to this effort. In addition, appropriations for solid waste planning funds should not be incorporated in the 208 water planning program. We believe that the intent of the solid waste law is clear. Local governments should have the flexibility to insure coordination of solid waste planning with water quality planning. This should not, however, be forced by combining these two programs in terms of funding.

While we believe that the $15 million authorized in the law to assist local and State governments implement the newly developed solid waste plans is far too low, the availability of these funds will, at least, insure that some of these plans may become operational. All too often, elaborate innovative plans are set aside due to a lack of local dollars to fund these initial costs required to get a new program off the ground. The law also authorized $25 million for fiscal year 1978 to assist States to manage the newly required hazardous waste program. With the increasing dangers of hazardous waste, we believe that this program should be fully funded to assist States establish an effective hazardous waste program. Mr. Chairman, we will also be submitting for the record the statement of the National Governors' Conference with respect to the funding of the Resource Conservation and Recovery Act of 1976.

208 WATER PLANNING PROGRAM

NACo continues to be distressed by the lack of Federal commitment to funding the 208 Water Quality Planning Program as evidenced by the lack of any fiscal year 1978 budget request in both the Carter and Ford budgets. This inadequate funding has impeded the efforts of local governments to take advantage of the 208 planning program in the way that Congress conceptualized it in the 1972 law. Many 208 agencies which are finally nearing completion of these plans may have to let go of all staff unless additional Federal funding is made available. With the assistance of additional Federal funds, we believe that many 208 agencies will complete 208 water plans within the next 2 years. These plans will provide alternatives to the existing high capital intensive construction pollution control programs. Therefore reducing our overall pollution cleanup costs in the future.

We were pleased to see that the House budget report contains a provision to provide for the $150 million that the House Public Works Committee believes is necessary for the 208 program in fiscal year 1978. We urge full appropriations of this $150 million. Additionally, we believe that this funding should be made available at 100 percent level for newly designated agencies as stipulated in the 1972 act.

CONSTRUCTION GRANTS

At the outset, Mr. Chairman, we would like to point out our strong support for the 10-year funding proposal contained in the Carter budget for the construction grant program of the Federal water pollution control act of 1972. Long-term funding is essential if communities are expected to make commitments to building or upgrading sewage projects. Building sewage treatment plants is a long-term process which can take as long as 10 years from the very initial stages of planning to the actual stages of construction. Local governments need to be assured that Federal funding will be available for actual construction if they go through the planning requirements stipulated under step 1 and step 2 of this program.

NACo supports the $4.5 billion funding level that the administration has requested for each year. This amount will meet the needs of local governments in their efforts to upgrade their sewage treatment systems and thereby comply with the goals of the 1972 act.

HUD APPROPRIATIONS

Mr. Chairman, with respect to appropriations for the Department of Housing and Urban Development let me say that NACo supports the administration's request of $4 billion in fiscal 1978 funding for the community development block grant program. This includes, as you know, $3.5 billion for the regular block grant program, $100 million for the urgent needs fund principally for the close out of urban renewal projects, and $400 million for a new urban development action grant program.

As NACo has indicated to this subcommittee on past occasions urban counties are particularly supportive of the community development block grant program. The guaranteed formula funding provided to urban counties as well as metropolitan cities under this program is an essential source of Federal assistance to aid them in addressing community development and housing problems. The increase from $3.2 billion in fiscal 1977 to $3.5 billion for the regular block grant program is necessary and should be supported by this subcommittee, to provide sufficient funding for metropolitan cities and urban counties under HUD's proposed dual formula, as well as insure an adequate amount of discretionary funds for smaller communities.

The proposed dual formula we think makes sense in helping to insure that entitlement recipients are provided with the higher of two amounts—either determined under the existing formula (population, poverty and overcrowded housing) or an alternative formula (age of housing stock, population growth lag and poverty). The existing formula, of course, benefits growing communities while the alternate formula is of principal benefit to hard-pressed communities in the Northeast and Mideast as well as those whose hold harmless is phasing out.

NACo has also recently become a supporter of the administration's proposed $400 million urban development action grant program as a result of the unanimous decision of the House Subcommittee on Housing and Community Development to allow urban counties to be eligible applicants for these grants. The subcommittee's action came last week during markup of H.R. 4703. As originally proposed, the program would have been available exclusively to distressed cities.

NACo, therefore, urges that the full $400 million for this program be approved.

COMPREHENSIVE PLANNING AND MANAGEMENT

We are once again concerned with the limited funds proposed to be made available for the section 701 comprehensive planning and management program. The administration has requested $62.5 million for fiscal 1978. This amount is the same as was appropriated for fiscal 1977. The administration further agrees with this subcommittee that metropolitan cities and urban counties not be funded with 701 funds. Instead, they are advised to use community development funds for planning purposes.

As county officials have indicated to this subcommittee in the past we believe that this is contrary to congressional intent, which in the 1974 Housing and Community Development Act, provided separate funding for functional community development planning and separate funding for comprehensive planning under 701. We, therefore respectfully urge the subcommittee to reconsider its directive to HUD that urban counties and metropolitan cities not receive 701 funding, and to approve an appropriation of $80 million for the program. Authorization of this amount was recently approved by the House Housing Subcommittee.

REHABILITATION LAWS

NACo urges the subcommittee to appropriate an additional $60 million for the section 312 rehabilitation loan program. This amount, combined with the $70 million in carryover funds, would permit the program to operate at a level of $130 million. The 312 program provides a very beneficial complement to the community development block grant program for the purpose of rehabilitating standard housing. Community development funds used for Rehab generally benefit very low-income persons while Rehab under 312 is usually for larger amounts for persons with slightly higher incomes.

HOUSING

NACo supports the administration's requests for authority under the section 8 housing assistance program to produce 400,000 units of assisted housing for fiscal 1978.

If there is any single key to effective community development it is the existence of a viable housing assistance program. To date we have suffered from the lack of an adequate housing program. We are encouraged by the attitude toward this problem expressed by Secretary Harris. We urge this subcommittee to assist HUD in this regard.

STATEMENT OF THE NATIONAL GOVERNORS' CONFERENCE

Mr. Chairman and distinguished members of the subcommittee, the National Governors' Conference and the Association of State and Territorial Solid Waste Management Officials are pleased to address the funding levels for implementation of the Resource Conservation and Recovery Act. We applaud Congress for this landmark environmental legislation which clearly recognizes a strong Federal/State partnership in the management of our solid wastes. Adequate funding of the act, however, is vital if smooth implementation is to occur.

The predominate concerns of the act; the establishment of a strong Federal/State partnership to manage hazardous waste; the development of plans at the State or local level; the upgrading of disposal practices by eliminating open dumps; and the development of programs to promote resource conservation and recovery; demonstrate a strong Federal program commitment. This must now be carried forth by the provision of funds to carry out these ambitious goals.

While we recognize the budgetary constraints facing the Federal Government, we feel the administration's request based upon the budget revision for fiscal year 1978 is inadequate. Of particular concern is the lack of any funding for subtitle C and the inadequacy of funding for State and local planning. The act clearly recognizes the role of the States; however, the States will be unable to achieve the goals of the act, particularly within the allotted timeframes, without greatly increased Federal support.

The National Governors' Conference has established a standing subcommittee on waste management, comprised primarily of members of the Association of State and Territorial Solid Waste Management Officials. This group has established a close working relationship with EPA to insure that implementation occurs as smoothly as possible. All parties concerned recognize the necessity of sufficient funding. In addition, the President has long recognized the importance of a quality environment and of the wise management of our resources. Such programs are vital. We therefore urge that the subcommittee increase the budgetary request for moneys to be used by the State for implementation of the act as follows: Subtitle C to $10 million; and subtitle D to $30 million for planning and $10 million for implementation.

We appreciate the opportunity to comment on funding for this act.

ENVIRONMENTAL PROTECTION AGENCY

MICHAEL T. MADDI, FOR THE UNITED STATE LABOR PARTY

WITNESS

Mr. BOLAND. We will call Michael Maddi, testifying for the U.S. Labor Party.

Mr. MADDI. I will be reading from the prepared statement, and I will submit supporting materials.

Mr. BOLAND. Identify yourself, where are you from and so forth.

Mr. MADDI. I am Michael T. Maddi, U.S. Labor Party, Washington, D.C. office.

Congress must not appropriate increased funding for the Environmental Protection Agency—in fact, this agency, as a separate arm of the Federal Government, should be abolished and the financial resources it currently has should be channeled into scientific research and development in the areas of energy resources development, high technology research, and ecological studies that begin from the standpoint of the necessity for higher energy throughout.

Such research has, in fact, greatly declined in industry and Government through diversion of funds and scientific man/mind power into narrow research for efforts to development nonpolluting devices for installation in out-moded plant and equipment.

As our attached supporting documents make clear, any effort to deal with the problem of pollution and general environmental damage in isolation from a program for industrial progress and technological development is a conceptually invalid approach with potentially devastating effects on the planet's ecology.

The Environmental Protection Agency, along with the National Environmental Policy Act and its included Council on Environmental Quality, represents just such a dangerous approach and it is the responsibility of the members of this subcommittee to thus recommend that it not be appropriated further funding.

The rights guaranteed to the people of the United States under the Constitution require that the benefits of industrial progress be extended to all citizens of the Nation without interruption or cessation. Nonetheless, in the recent period the rate of technological advance and industrial growth has stagnated, with resulting inflationary effects upon the economy and detriment to the living standards of the population.

The leadership role of the United States in the world community is properly based upon our science and technology; and this role has been diminished in the recent period. The National Environmental Policy Act of 1969 and subsequent related legislation and the agency practices of the Environmental Protection Agency have been deeply destructive of economic growth and of this Nation's traditional commitment to industrial and scientific progress.

Mr. BOLAND. A lot of people would agree with that.

Mr. MADDI. The global environment can only be maintained and protected by the development of higher levels of technology and higher rates of energy flows, and any other policy must rapidly lead to a catastrophic collapse of the ecology—see supporting materials attached hereto—and of the health and living standards of the population.

The ecology has always depended upon mankind's ability to develop new modes of technology to overcome the apparent limitations of existing resources. In the immediate period, in the interest of preserving and indeed advancing both the human and the "natural" environment—which are, in fact, one and the same—Congress must assure that fully adequate funding be appropriated to the development of fusion energy technology and the necessary intermediate steps to that goal: Breeder and recycling technology, the MHD coal generating process, the Jordan steel process, and similar advanced, capital-intensive processes.

To that goal, any governmental structure that claims to have as its isolated purview the protection of the "environment" stands as a roadblock, and, as is clear in the case of the EPA, an aid and comfort to the Naderite enemies of progress and development.

The problem of pollution is primarily a research and development problem, not an enforcement problem. The release of unutilized irritants or contaminants into the air or water reflects the low thermodynamic efficiency of energy conversion, materials extraction and processing.

Through advances in technology of the entire industrial process, these discharges are potentially useful under conditions of higher industrial efficiences. When research and development resources are allocated to the narrow focus of developing antipollution devices to be grafted onto an existing industrial process, the result if wasteful and inflationary.

Congress therefore must declare that it is the policy of this body and the Nation that the Federal Government restore the values of technological progress and industrial growth, and to commit the full resources of our Nation to maximizing the rate of industrial growth, and to meet these goals through the development and application of advances in science.

In the interests of environmental protection, in the humanist sense of that term, it must be the basic premise of national policy that we utilize to the full scientific and technological resources of the Federal Government to assist the States and private industrial concerns to reduce the emission of pollutants into the air and waters through technological advances.

The Federal Government must create the facilities on the scale needed to accomplish this task, and it is to such facilities that the moneys now granted to the Environmental Protection Agency must be granted.

[Supporting documents follow:]

SUPPORTING DOCUMENTS SUBMITTED FOR THE HEARING RECORD BY THE U.S. LABOR PARTY

APRIL 6, 1977.

Re Appropriations for the Environmental Protection Agency.
To: The U.S. House of Representatives, Committee on Appropriations, Subcommittee on HUD and independent agencies.

These previously published articles by the U.S. Labor Party, whose main thrust is a direct criticism of the basic premises, uses, and results of the National Environmental Policy Act, are directly relevant to a discussion of the impact and premises of the Environmental Protection Agency, as is clear from our testimony to this subcommittee.

Naderism's Threat To the Environment

The National Environmental Policy Act was voted into law in 1969 by a largely unwitting U.S. Congress. Since then, the Act and the "Naderite-environmentalist-consumerist" movement that inspired it have wrought havoc on the economy of the United States and on the global environment. As a direct result of NEPA and Naderism, tens of thousands of lives and millions of jobs have been lost; pollution levels have actually worsened; the destruction of the biosphere has been accelerated; and the standard of living of every citizen of this country and of millions abroad has been substantially lowered.

To prevent this incredible damage from evolving into an irreversible catastrophe, the policies of Naderism — now becoming national policy under the Carter regime must be completely reversed and the NEPA law, the main weapon of the Naderites, must be repealed.

It is essential to understand the true consequences of NEPA and, in particular, why such a seemingly worthwhile effort as the "protection of the environment" has resulted in disaster. The fundamental problem with NEPA and environmentalism is that the premises on which they are based, neo-Malthusianism and Zero Growth, are completely false. The environmentalist propaganda holds as its basic premise that economic and population growth and the accompanying development of new technologies cause environmental damage. "Too many people! Too much production! Too much technology!" is the cry.

What rubbish! The overwhelming danger to the biosphere and the human race is not enough production, not enough technology, and not enough people. The survival of the human race and of the biosphere at all times depends on the development of new forms of technology and accompanying higher flows of energy throughput. The exhaustion of resources relative to a given technology or mode of production necessitates the development of new forms of more advanced technology. This in turn requires a greater degree of division of labor — and thus a larger population, a higher level of skill in the population, and a higher standard of living. The necessary increases in living standards and the concomitant necessity to increase labor productivity lead to more and more rapid increases in per capita energy flow.

Today the world requires more energy production and technology to produce enough food, to build housing, to clean up the environment, and to correct the damage done by the past decade of economic stagnation. The Naderite prescription for the world is the exact opposite: quite lawfully, the consequences of Naderism, documented here, are the intensification of starvation, the global spread of disease, and the destruction of the biosphere.

The motivation of the environmentalists, aside from a few misled dupes, in fact has nothing to do with concern for the environment. If the "truth in advertising" laws were applied to organizations, the environmentalists would have to change their name to either "Enemies of the Earth" or "Friends of David Rockefeller." Naderism serves only the interests of the Wall Street banking circles and in fact these interests created Naderism.

Debt Service at Any Cost

As early as the latter 1950s and to a much greater extent by the mid-1960s, the leadership of the New York banks became increasingly aware that the swiftly multiplying hundreds of billions of debt owed worldwide, mainly to their own institutions, would in the near future become unpayable unless a growing portion of the world's wealth were transferred from use for new investment and consumption to the payment of debt service. In particular, the bankers realized that debt repayment would be totally impossible unless high and increasing prices for all raw materials — especially energy — were maintained as a sort of tax on the rest of the economy. Thus, the self-serving economic policy advocated by these banking circles was to actively prevent new investment, to restrict consumption through austerity measures, and to sabotage the development of new forms of technology which would tend to lower the price of primary materials and energy, thus rendering past debt unredeemable.

The Rockefeller family and their allied financial forces of course realized that to begin a political campaign around a slogan of "Cut production, consumption and technology to pay our debt" simply would not be effective. It is at this point that the dozens of Naders, Barry Commoners, Jay Forresters, Dennis Meadowses and Garret Hardins who had been carefully nurtured by Rockefeller and Ford Foundation money through the 1950s and early 1960s, suddenly became useful. These quacks went into political battle to fight for the program of the banks, clothing their work in more acceptable programmatic terms like: "protection of the environment." Growth must be limited to conserve our finite resources, the Naderites shrilly warned their fellow Americans, omitting any mention of the necessity to ensure unlimited debt payments. Some, like Commoner, even went so far as to portray the debt-serving program of austerity as the essence of socialism!

At first, the Naderists attempted to organize a mass base for their movement among middle class youth. During the course of the 1970s, however, they turned increasingly toward the more effective legal tactic of environmental suits under the aegis of NEPA. The initial trickle of 600 cases in the early 1970s has swelled into a flood of cases — 30,000 in 1976 alone. NEPA court actions

can now count to their credit the sabotage of thousands of projects involving hundreds of thousands of jobs and an equally large measure of industrial production.

An examination of the consequences of the NEPA actions must consider more than the direct impact—loss of jobs and available energy and production by shutting down or delaying plants and productive projects and the direct addition to prices brought about through pollution regulations. The indirect impact is far more important: the diversion of capital and research and development capabilities away from directions of technological growth and toward the environmentalists' Malthusian boondoggles. The loss is of what should have been accomplished and was not.

Malthusian Boondogles Versus Human Life

To take just two cases of the indirect consequences of the NEPA offensive, look at the two industries that have probably been most affected—steel and auto. In the case of steel, over the past seven years, more than $7 billion has been expended on pollution control, the vast majority in gizmos like smokestack "scrubbers" whose contribution to overall diminution of pollution is negligible. As a result of this investment, many plants have been made totally uneconomical and forced to close, directly eliminating thousands of jobs. The indirect effect of NEPA's offensive is much more devastating: This vast sum of capital and the largest portion of the steel industry's Research and Development budget has been diverted into the anti-technology NEPA approach.

The real answer to steel industry pollution would come as a by-product of the application of more energy-intensive technology such as the Jordan process. In this process, (named after Robert Jordan, the chemical engineer who developed the process in 1966) oxygen is substituted for air in the blast furnace, and the resulting carbon monoxide "top gas" is utilized in an integrated chemical process producing either methanol, a fuel, or ammonia, a fertilizer. By using the Jordan process and existing equipment, steel production would double. Now consider what would have happened if R and D had concentrated on perfecting the Jordan process instead of the useless "scrubbers," putting the same $7 billion into the conversion of 35 per cent of the steel industry's capacity to the Jordan process. Not only would there have been a huge drop in pollution; in addition, we would have 40 million tons more steel capacity, 10 million tons more ammonia capacity and 5 million tons more methanol production. The ammonia would have led to an increase of food production globally by 150 million tons, while the methanol, a totally clean-burning fuel, would have gone to reduce pollution from automobiles.

The indirect costs of NEPA's impact on steel is in the lost steel, the lost ammonia, the lost methanol and the increased pollution. And, most important, the diversion of resources away from advanced technology in this case has cost the productive lives of thousands of human beings in those Third World countries where 150 million tons of food lost means starvation or death.

The situation is similar in auto. The industry has spent nearly $5.1 billion on catalytic converters, air bags, bumpers, and other pollution and safety devices. Consequently, practically nothing has been spent on perfecting engines that can run on cleaner fuels, like methanol.

The safety issue is the most ironic. As any traffic engineer knows, the critical factor limiting auto accidents in any situation is the design of traffic flow: a good highway can have an accident rate ten times lower than a poorly designed one. Automobile devices that can automatically smooth trafffic flow by maintaining following distances in highway traffic have been know for years—yet nothing has been done to apply them. Similarly the money wasted on the dubious idea of air bags could have gone in part for the development of high-speed mass transit systems—such as that of magnetic levitation—that are devoid of pollution and would vastly reduce inner-city travel time. In terms of expanded production, this wasted sum is far in excess of that needed to convert 50 per cent of the industry to tractor production—again a waste that can be measured in lives lost.

More broadly, Naderism has acted as a cover for a general attack on scientific progress and all its benefits. The most blatant recent use of "consumerism" acting to disguise what can only be called genocidal policies was the "consumer protection" arguments used to first slow down and then finally kill the swine flu vaccination program—a decision that may still cost tens of thousands of American lives, especially those of the poor and minorities.

The more subtle, long-term effect on the direction of research and development work as a whole is even deadlier. Nearly 25 per cent of all federally funded R and D now is wholly absorbed in pollution control and other environmentalist gimmickry, depriving humanity of countless advances in chemistry, physics, and biology that would otherwise have occurred. The most glaring case in the field of general research policy is that of cancer research. Here Naderite pressure has succeeded in diverting the greater part of the funds available to the field of "environmental" causes of cancer and the search for the nth carcinogen. As a result, fundamental research into the causes of cancer, early diagnosis and cure—research that would lead not only to cancer cures, but contributions to the related problem of the prevention of aging and the qualitative extension of the human life span—is cut off for lack of money. Not content with squeezing out basic cancer research, the Naderites are now campaigning against the cancer program as a whole, urging its abolition in favor of a purely "environmental approach" of eliminating "cancer-causing" industries.

In its overall impact, the most vicious Naderite activity is around so-called energy conservation and a push for general decreases in energy supply, both of which immediately lower living standards and cut off the potential for future development. NEPA's devastating effect on the nuclear fission industry is documented in another article in this pamphlet. Increasingly the discredited Nader "safety" issue is being replaced by a straightforward austerity line of energy conservation: in one recent case, a nuclear plant was delayed because the energy alternative of conservation had not yet been considered!

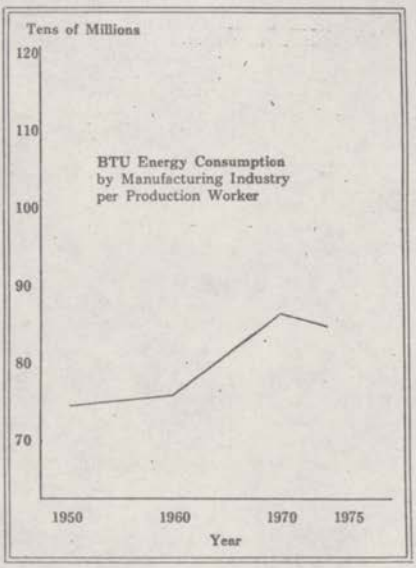
In the energy field, the Naderites have adversely affected the questions of economic policy on the broadest level. Cutbacks in rates of energy growth have a direct im-

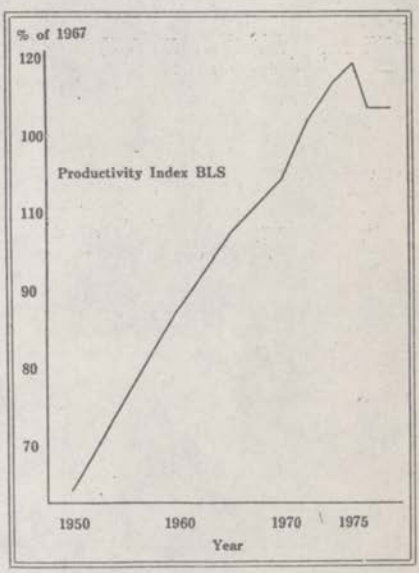
pact on the rate of economic growth as a whole as well as the general level of employment and standard of living. Even at current levels of technology, the creation of one million jobs requires the increase in energy consumption by 30 million kilowatts, or one per cent of total U.S. present consumption. Plans such as those proposed by the Energy Policy Project of the Ford Foundation for energy growth rates in the vicinity of one per cent a year would by themselves ensure that creation of productive jobs at current technologies would be less than half the natural expansion in the working-age population.

Equally directly, such energy conservation would lead to a gigantic decline in productivity if applied to the reduction of capital- and energy-intensive modes of production in favor of labor-intensive modes. The 5 per cent drop in overall energy use per productive worker in fact is the main cause for the 5 per cent drop in productivity experienced by the industrial sector, despite grueling speedup instituted to compensate for lower energy consumption (see graph). Such drops in productivity per capita, despite the praises sung to such labor-intensive methods by stone-age lovers Barry Commoner and Ed Sadlowski, (pro-Nader candidate for President of the United Steel Workers of America), translate immediately into similar drops in per capita consumption levels. This is especially clear from the agriculture studies at the University of Iowa completed by Dr. Dan Dvoskin and others. Dvoskin's research has shown that a 5 per cent decrease in energy utilization by the agricultural sector for on-farm production will result in commoditiy price increases of 13 per cent and a 10 per cent decrease in energy utilization would raise prices by 47 per cent. The impact both on the U.S. and on those countries heavily dependent on our exports is not hard to imagine.

The Brazilian Miracle

The evidence of what actually happens to an economy that begins to run on the energy conservation "ecologically sound principles" of Naderism is already available in the case of the catastrophic Brazilian "miracle." In order to reduce fuel imports and maintain debt service payments to the New York banks, Brazil followed the advice of Commoner and substituted "renewable" energy resources for coal in its steel industry. Simultaneously Brazil has maintained highly labor-intensive, energy-conserving methods of agriculture. In concrete terms these "conservation" policies have meant chopping down tens of millions of acres of tropical forest to use the wood for charcoal in steel mills, (as was done in England two hundred years ago), while burning and clearing tens of millions more acres for cattle raising.





The net effect of these back-to-nature policies (aside from the destruction of several millions more wildlife than ever were damaged by a tanker accident) was to destroy the capacity of large areas of land to recycle moisture back into the atmosphere. The result is a self-feeding drought, now covering more than 2 million square kilometers and affecting not only all of northeast Brazil but Colombia and Peru as well. Not only has this brought starvation and epidemics to the area directly affected; the overall decreases in global energy flow and the direction of key global weather patterns have caused violent weather changes in the Northern Hemisphere. This has included the spread of drought to California, last year's drought in West Europe, and this winter's extreme cold in the Eastern U.S. (an extreme cold incidentally that is being used as a reason for the implementation of Brazilian-style energy conservation in the U.S. itself.)

The continuation and expansion of such policies of environmentalism will result in the total destruction of the environment, the general collapse of all species in plagues, and the creation of a global desert.

The alternative to this Naderite holocaust is the development of thermonuclear fusion power. Fusion power will not only make available unlimited clean energy, but through the use of the fusion torch — the disintegration at high temperatures of compounds into their constituent elements — all existing pollution can be cleaned up permanently. The greatest crime of the Naderites has been to tar nuclear energy — including fusion — with the lie of "radioactive danger" and to create, through their propaganda, a general psychological climate among sections of American youth that is hostile to the sort of qualitative scientific and technological progress that fusion power represents.

This damage can and must be undone. Naderism must be buried now, and the ideal of progress reinstated as the hegemonic concept in the United States.

NEPA: What Congress Thought

The National Environmental Policy Act's potential to reduce the United States to a third-rate industrial power was little realized at the time of its passage in 1969. NEPA's legislative history indicates that Congress as a whole paid little attention to NEPA, treating it as a "motherhood and apple pie" statement on the environment which seemed in keeping with the times. Only a handful of the Wall Street operatives involved understood NEPA's full implications, which is why the Federal Courts, rather than Congress, have played the real law-making function with regard to NEPA.

In the late 1960s, "ecology" and the "environment" were thrust into the public mind as the pressing issues of the day. To a country bitterly divided and frustrated over the Vietnam war, protection of the environment offered an issue on which the energies of youth and the anti-war movement could be focused. The Bretton Woods monetary system had not yet visibly collapsed, and the hoped-for end of the Vietnam conflict promised a "peace divident" to be applied to expanding economic growth and social needs.

Nixon, gullible as he was on such matters, included a pitch for the "environment" in his 1969 inaugural address, and soon afterwards created a Task Force on Resources and the Environment, under the direction of Russell Train, head of the Rockefeller-funded Conservation Foundation, and including among its members Laurance Rockefeller and the Ford Foundation's Resources for the Future organization.

Senator Henry Jackson (D-Wash.) introduced the original version of the NEPA bill in February, 1969. He had introduced a similar bill in the 1968 session, and he had organized a 1968 House-Senate colloquium on the environment in which Laurance Rockefeller also participated. On each such occasion, Jackson would take the opportunity to introduce into the Congressional record various documents of zero-growth quackery, such as excerpts from Barry Commoner's "writings."

Jackson also invited Professor Lynton Caldwell of Indiana University to prepare a report for Jackson's Committee on Interior and Insular Affairs. Caldwell's report, "A National Policy for the Environment," became one of the acknowledged bases for the NEPA bill. The other was an article in the Brookings Institution report, *Agenda for the Nation*, a blueprint for restructuring the Executive Branch.

The infamous Section 102 of NEPA, which required the environmental impact statement (EIS), was not in the first version of the NEPA bill which was the subject of committee hearings in April, 1969. Section 102 was added after the hearings, as a direct result of comments Caldwell made in testimony at the hearings on the need for an "action-forcing" mechanism which would force federal agencies to include "environmental considerations" in all their decision-making and project planning.

(In a recent interview, Caldwell remarked that there were 35 environmental bills introduced in 1969, and that they were all "just rhetoric." "NEPA would have been just a nice piece of rhetoric too without the EIS provision," said Caldwell, but Section 102 "blew off the lid.")

On the House side, a bill similar to Jackson's original version of NEPA had been introduced by Rep. John Dingell (D-Mich.). Rep. Wayne Aspinall (D-Colo.) of the House Interior Committee opposed the Dingell bill's provision for setting up an independent Council on Environmental Quality, preferring President Nixon's proposal for an inter-agency committee staffed by the Office of Science and Technology; Aspinall succeeded in weakening Dingell's bill.

However, when the House and Senate bills were brought together in conference, Aspinall found himself in the middle of a squeeze play. Whereas normal joint conferences are for the purpose of ironing out differences between the respective House and Senate Committees, Aspinall found that the other House representatives, led by Dingell, were teaming up with Jackson and the Senate Committee against him. When Jackson reported out that the compromise language in Section 102 meant that agencies would be forced to comply with NEPA regardless of their authority and mandate, Aspinall realized that he had been outmaneuvered. He accordingly refused to sign the "Statement of Managers" which was written by Jackson and Dingell.

On December 20, shortly before the close of the first session of the 91st Congress, Jackson then introduced the Conference Report on S. 1075 to the Senate, noting that the "only precedent and parallel legislation is the Full Employment Act of 1946" — an act which set the economic course of the nation for the post-war period. The report was adopted without a roll call vote and without debate.

On December 22, Dingell introduced NEPA into the House. Aspinall mildly protested the interpretation in the Managers' statement; the only other dissenting voice in the otherwise non-existent debate came from Rep. William Harsha (R-Ohio), who obviously realized what was going on in the attempt to ram NEPA through. "I regret that so important a matter is being handled in so light a manner. I realize the Members' desire to adjourn for Christmas, and that the hour is late and that we are all tired, but this is no subject to merely brush aside." Harsha then asked the House to put NEPA aside until after Christmas recess, "providing the Congress with ample time to fully consider the ramifications of this legislation." Harsha's pleas went unheeded.

On Dec. 23, amidst jocular debate over the upcoming Cotton Bowl and a tribute to Bob Hope, NEPA was announced as passed in the Senate, less than an hour before adjourning for the year-end recess.

Who Knew?

Two points become clear from the 1969 legislative history of NEPA. First, Congress had no idea of what it was doing in passing NEPA. Second, the notion of judicial review of environmental impact statements was never intended, or even discussed, by Congress.

Professor Lynton Caldwell (whose "public administration" career has seen him stationed in Thailand, the Philippines, Turkey, Pakistan, and the Middle East) obviously did know what the effects of NEPA would be. And he readily admits that Congress didn't:

> NEPA implies a major modification and even a reversal of long-established priorities in the political economy of the Nation. The disruptive effects on the business-as-usual economy do not appear to have been foreseen by the Congress or those interests most likely to have been affected.

Caldwell also writes that one error committed by federal agencies is to consider NEPA as "primarily a procedural statute rather than a fundamental reconstruction of national priorities."

Caldwell himself is a fanatic zero-growther. He states further: "The prevailing assumptions of business and politics have not been favorable to...NEPA. There is a general national commitment to economic growth and development and to private enterprise as its principal agent. This commitment tends to be poorly defined and indiscriminate...The basic issue of the relationship of economic growth to the general quality of life has yet to be realistically faced." (Lynton Caldwell, "NEPA: Retrospect and Prospect," *Environmental Law Reports* 50031, (1976).

In a recent interview, Caldwell was more explicit:

> "Growth is an omnibus term. This country could do with a lot fewer people. We should encourage a sub-zero rate of growth....I agree with Paul Ehrlich when he says that we could do better with half the number of people in this country. I happen to agree with Ehrlich that 100 million people would be a lot better than 200 million."

Richard A. Liroff, a pro-environmentalist who is the author of a book on NEPA, describes NEPA as a "sleeper." In interviews with Congressional staff members, he was told:

> "If Congress had appreciated what the law would do, it would not have passed. They would have seen it as screwing public works."
>
> "If Congress had known what it was doing, it would not have passed the law."

Further, it is absolutely clear that Congress did not intend for the courts to become the substantive implementers of NEPA As the accompanying chapter on NEPA in the courts makes clear, it has been the court's detailed reviewing of the adequacy of environmental impact statements which has wreaked havoc with energy and development projects.

Judicial review of regulatory agency final rulings is a normal practice, and provisions for it are written into most laws — including most anti-pollution laws — and into agency regulations. The omission of any mention of judicial review in the NEPA act or in its legislative history is therefore much more striking. The reason for this omission is clear. Congress didn't consider it because the only people who had it in mind were Lynton Caldwell and "Scoop" Jackson. Jackson slipped in the EIS provision (Section 102) after the hearings had already been concluded. The monstrosity that has been created by judicial review of Impact Statements can in no way be justified through the legislative history or Congressional intent.

Council on Environmental Quality

The Council on Environmental Quality was created by Title II of NEPA. In April, 1970, in consultation with Jackson and Dingell's staffs, the Council on Enviromental Quality issued guidelines for the preparation and CEQ review environmental impact statements.

The Council on Environmental Quality very quickly became the "fifth column" of the Naderites inside the government for their incessant attacks on industrial progress. This is evidenced in the following Council on Environmental Quality actions:

(1) The Council has been a prime mover behind "citizen suits" under NEPA. Its first annual report began with the chapter, "Citizens Make the Difference." Thus, in its hostility to the regulatory agencies, the Council has been in the anomalous position of one government agency encouraging citizens to sue another government agency! (This is a long way from the Constitutional provision of "sovereign immunity," in which the United States cannot be sued unless it gives its consent.)

(2) As a means of giving aid and comfort to the Naderites, the Council on Environmental Quality relies heavily on court interpretations of NEPA, not on Congress. Following the Calvert Cliffs ruling in 1971, the Council began to issue lengthy memoranda "explaining" the court rulings which the Naderites were winning. The Council obviously understood that the law was being made by the Federal Circuit Courts, not by Congress.

(3) When the Internal Revenue Service revoked the tax-exempt status of the Natural Resources Defense Council in its decision pertaining to "public interest law firms," the Council rushed to NRDC's defense — along with the Center for Law and Social Policy; the Council was later acknowledged by the IRS to have been instrumental in their decision to restore NRDC's tax-exempt status.

The Hart-McGovern Bill

Whenever Congress was openly presented with the ideology of NEPA, Congress voted it down. Whereas in 1969 the zero-growth outlook and the disruptive intent of NEPA were never brought to the attention of the Congress, in hearings held in 1970 through 1972 the real issues — and the real contenders — increasingly came out into the open.

On March 12, 1970, Senators Phillip Hart (D-Mich.) and George McGovern (D-SD) presented a bill which would have given legislative backing for endless varieties

of spurious "citizens' suits" against anyone planning a project that touched on the environment. The bill provided for legal standing for anyone who wanted to bring a suit, for class actions, and for full discovery rights, provided that the burden of proof would be shifted to an agency or industry once a simple prima facie showing had been made of "environmental" harm.

The Hart-McGovern bill stated as policy that the "paramount concern" of the United States was the protection of its air, water, land and public trust from unreasonable pollution, impairment, or destruction.

The deployment of the Naderite environmentalists in support of the bill was led by the Center for Law and Social Policy and the Natural Resources Defense Council (NRDC). The Naderite lobbyists combined their quack theories about the environment with broadside attacks on the federal regulatory agencies. Their express hostility to the regulatory agencies was based simply on the task-orientation of these agencies, that these agencies view their mission as overseeing the development of power, atomic energy, transportation, etc. McGovern stated, for example, his objective in the bill was to provide a "supplementary remedy" for citizens in dealings with the agencies, since the agencies were not set up to deal with "environmental" issues. Ramsey Clark, of the law firm of Paul, Weiss, Rifkind, and also of the Center for Law and Social Policy, argued that the courts would be "better qualified" to deal with such matters than the agencies whose "expertise...has not really been central to this problem."

In response to a question as to whether the proposed bill would injure America's industrial strength, Steward Udall states:

> "What has been wrong with American industry is that we started with the wrong kind of ground rules and the wrong kind of system and we have to change that system...I am frank to say that I think there are a few kinds of industry today that pollute so severely and do so much damage that we may ultimately have to shut them down and find substitutes.

Ramsey Clark emphasized where the blame should be cast: "The great threats to our environment are by-products of technology — a child of science." Continuing the same theme, another witness argued that "we must devise new legal checks on technology."

Hearings in 1970 and 1971 go on at great length in this vein. Finally, the idiot-savant Ralph Nader himself appeared in September 1971 to testify in favor of the bill for citizens' suits:

> "Each year industry comes up with hundreds of new ways to destroy the public health and the environment by accident or inadvertently.
>
> Congress cannot possibly think of everything to prohibit. Even when they do first recognize a problem, legislatures often do not have the experience they need to lay down broad rules or standards in the law. It may take years to get a law passed...In the meantime, precious irretrievable resources are slipping away."

The relevant point here is that Congress refused to pass laws based explicitly upon these premises, although the courts continued to act as if they had.

It was not until the effects of NEPA began to be felt that spokesmen for industrial progress began to jump into the fight. In the 1970 hearings only the National Association of Manufacturers and the American Mining Congress entered statements, in which they argued that the Congress, not the courts, should do the regulating.

In the 1971 hearings, pro-development forces began to come forward. Statements were presented from NASA and the Defense, Agriculture, and Interior Departments opposing the Hart-McGovern bill, although still failing to confront the "environmental" issue head-on. NASA in particular noted that the bill would require the courts "to do what is normally done in the market place or in the political arena through the elective process," and that it would put "the courts in a position of having to make technical determinations without the benefit of legislatively-determined standards."

Although this bill was rejected and is not law, the courts, since the decision in NRDC v Morton (1972), have arrogated the right to overrule both Congress and the President using the provisions of the original NEPA.

The early 1971 hearings also included a large number of statements by industrial spokesmen objecting to the bill, again on technical and procedural points without attacking the environmental issue directly, and without testifying orally.

By the time of the September 1971 hearings, (after Calvert Cliffs) this shifted, and the industrialists, through the presentation of William F. Kennedy, general counsel for General Electric, for the first time made a full attack on the bill, the nature of the hearings, and also the environmental issue. Kennedy first attacked the notion that the courts should make policy decisions, and then stated:

> "American people need a good environment but they need other things as well...a decision to ration electricity is a decision to curtail economic growth and to affect the daily lives of people. I would submit that kind of decision should be made by elected representatives and not by the courts."

Opposition in Congress and from emerging industrial layers insured that no such amendment to NEPA as the Hart-McGovern bill would ever pass. Although the Hart-McGovern bill was brought up in 1972 and 1973, no further hearings were held, and it never got out of committee.

Still failing to conduct any sort of sustained assault on NEPA, opponents of NEPA in the House rallied themselves during 1972 for a fight to pick away at NEPA piecemeal, by exempting various projects from the NEPA requirements. This effort was centered in the House Public Works Committee. Acting Chairman Bob Jones (D-Ala.), speaking in executive session, fumed that "you...have a bunch of ignoramuses who are judges who are not respecting what has been done here." He noted that "lawsuits are being maliciously used to halt the projects that Congress has worked years and years to accomplish." Rep. Jim Wright (D-Tex.) said he hoped to

find something "that will stop all of these little pestiferous suits that are hamstringing the programs."

One of the first fights, which was eventually successful, was to exempt the San Antonio North Expressway for NEPA, after the Fifth Circuit Court of Appeals had blocked its construction. Dingell in the House and James Buckley (R-NY) in the Senate led the fight against the exemption, with Buckley voicing his fears that such a precedent would threaten all the environmental legislation.

Other efforts to create exemptions were less successful, although the Atomic Energy Commission was also granted a partial exemption with respect to water effluent standards, and, somewhat later, Congress exempted the Alaska pipeline project.

A delightful paradox was created when the EPA became so tied up in NEPA procedures that its own anti-pollution programs were delayed and threatened. After the Fourth Circuit Court of Appeals ruled that the EPA's granting of discharge permits for pollution abatement programs required an environmental impact statement, EPA sought Congressional exemption from NEPA. Dingell supported this, as did Sen. Jackson eventually, while NRDC lawyer Anthony Roisman and the environmentalists hysterically voiced fears that granting EPA an exemption would create a dangerous precedent. Despite the Naderites' howls, an exemption was given to EPA.

Throughout most of this period, Dingell's strategy was to support minor exemptions from NEPA requirements, on the grounds that this would be sufficient to prevent anti-NEPA forces from mounting any broadside assault on NEPA itself.

Dingell's tactic has so far proved to be successful. NEPA still stands in its original form as a broad and vague statement of policy, while Congress has rejected any efforts to put legislative teeth in it by means of legislation such as the Hart-McGovern bill. What Congress has rejected time and time again is exactly what the Federal Courts have allowed: endless, obstructionist legal tactics by the Naderites for the purpose of sabotaging economic growth and development. The Congressional intent with respect to this matter is clear, and it is just as clear that the courts have violated that intent in taking it upon themselves to sabotage the nation's economy and progress.

How the Courts Made NEPA The Naderites' Main Weapon

> "Several recently-enacted statutes attest to the commitment of Government to control, at long last, the destructive engine of material 'progress.' But it remains to be seen whether the promise of this legislation will become a reality. Therein lies the judicial role."
>
> Federal Judge Skelley Wright, in Calvert Cliffs.

In this short opening statement to the 1971 **Calvert Cliffs** decision — the first major judicial roadblock to nuclear power plant production — Judge Skelley Wright of the District of Columbia Federal Circuit Court of Appeals expressed both the caveman ideology and the leading role of the courts in transforming the National Environmental Policy Act (NEPA) into the primary statute used by so-called "environmentalists" to bring U.S. energy and industrial development to a virtual standstill.

NEPA, signed into law January 1, 1970, nebulously declares it national policy "to create and maintain conditions under which man and nature can exist in productive harmony." Coupled with this statement of priorities, NEPA further directs that all government agencies making proposals for "major federal actions" which "significantly affect" the environment must produce detailed "environmental impact statements" which include, **inter alia**, a study of alternatives to the proposed action.

It is primarily this latter, **procedural** provision, fraught with vagueness, that has been contorted by the courts into a basis for a **substantive** review. By using it in a manner not originally intended by the Congress, the courts have arrogated sweeping legislative powers to themselves and frustrated implementation a national policy of technological advancement and industrial expansion — the fundamental basis for the constitutional republic of the United States.

NEPA, drafted in unconstitutionally vague and overly broad terms, was construed by early court decisions as only a declaration of Congressional policy, creating no legal rights. Later cases acknowledged the **procedural** right to enforce the preparation of the environmental impact statement (EIS), but warned that the duty to prepare the statement was a procedural duty only, and that the courts were not free to substitute their decision on the proposal for that of the agency's. In other words, the courts were permitted no **substantive** review.

The precedent for this limited legal review had been created by the **Scenic Hudson** case (1966), which was brought under the Federal Power Act prior to the passage of NEPA, and established the basis for such citizen suits on behalf of the "environment." The **Scenic Hudson** case resulted in the blocking of a major power plant project by the Consolidated Edison Company of New York, under an act which was 45 years old and clearly was never intended to be used in such a manner.

Scenic Hudson was not brought out of nowhere by a bunch of environmentalists, but was taken into court by the prominent Wall Street law firm of Paul, Weiss,

Mr. BOLAND. Thank you very much. You say we ought to spend more research and development moneys in areas other than those under EPA. How can the laws be enforced?

Mr. MADDI. Our position is this, and the reason we are asking for limited funding for EPA, and the reason we are asking for more money to go to research and development— our position is, the proper way to protect the environmental concerns is that the first and foremost environmental concern is to protect the human species.

The best way to do that is not to put limitations on what industry—and particularly research and development industry—can do, but it's our contention that the development of new technologies, improvement of existing technologies will improve the environmental quality of the Earth.

I can cite you one example. For instance, I am sure EPA has jurisdiction over the enforcement of laws on the sulfur content or sulfur pollution from electrical generating stations using coal as a fuel source. That is a serious problem.

We don't feel sulfur that is hazardous to the human health should be released in to the atmosphere. The EPA and environmentalists view on how it should be dealt with is to put restrictions on that and make sure that doesn't go on. We feel instead of making that the emphasis, although that is necessary, what should be done is to do research and technology which holds promise for eliminating the pollution problems, sulfur problems of coal.

I refer to that in my testimony.

Mr. BOLAND. They are doing that?

Mr. MADDI. On a limited scale. ERDA has done some research. They are planning to have demonstration models by the early 1980's. We feel we could have had—or we could have demonstration models, working models by the late 1970's.

Mr. BOLAND. With a greater infusion of money?

Mr. MADDI. Right. If in the past, late 1960's, early 1970's, more money had been put in the research area, we could have that technology on line now. The Soviet Union and Japan are doing a lot of research on this and they are ahead of us.

Mr. BOLAND. Thank you very much.

Mr. MADDI. Thank you.

Mr. BOLAND. The committee will stand adjourned, subject to the call of the Chair.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

STATEMENT OF THOMAS H. STANTON, DIRECTOR, HOUSING RESEARCH GROUP

Mr. BOLAND. The Committee has received a statement from Mr. Thomas H. Stanton, the Director of the Housing Research Group on the activities of the Department of Housing and Urban Development. The statement will be placed in the record at this point.

[The statement follows:]

As an advocacy group for consumers and taxpayers, the Housing Research Group applauds the pledge of HUD Secretary Patricia Harris to work towards the national housing goals of a safe and decent home for every American family. That pledge requires more than a high volume of production; it also demands well administered programs with safeguards for consumers and taxpayers alike.

It is the purpose of our testimony to warn HUD that an attempt to build significantly increased production on the weak foundation of HUD's present administrative practices will once again lead to disaster. We call upon the Congress to take steps now to assure that HUD equips its programs with proper safeguards. We respectfully urge this Subcommittee to:

I. Require HUD to Improve Field Office Control Over Staff and Contractor Performance;

II. Request HUD to Specify the Administrative Implications of Changes in the Housing Laws;

III. Induce HUD to Reorganize and Upgrade the Effectiveness of Central Office Program Evaluation; and

IV. Scrutinize the Budget of the HUD Office of Policy Development and Research to Assure Relevance to Actual Program Needs.

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to present testimony on the administration of housing programs by the Department of Housing and Urban Development. Past mismanagement by the Department of Housing and Urban Development has exacerbated the urban crisis, led thousands of consumers into defective homes, and thousands of others into default and foreclosure, and squandered hundreds of millions of dollars of taxpayer money.

As an advocacy group for consumers and taxpayers, the Housing Research Group is working to assure that history doesn't repeat itself as HUD again commits itself to a large scale housing effort. Of course, we applaud the pledge of HUD Secretary Patricia Harris to meet the national housing goals of a safe and decent home for every American family. That pledge requires more than a high volume of production; it also demands well administered HUD programs with the necessary safeguards for consumers and taxpayers alike.

The new Administration's call for increased housing production comes at a low point in HUD and FHA history. In 1976, HUD

insured mortgages for only 5-6 percent of new homes sold and 7-8 percent of existing homes sold. Yet, HUD's present program performance barely suffices for today's low housing production.

It is the purpose of our testimony today to warn HUD that an attempt to build significantly increased production on the foundation of present administrative practices will inevitably lead to renewed disaster. We call upon the Congress, and this Subcommittee in particular, to take steps now to assure that HUD equips its programs with proper safeguards before increased production once again turns into expensive failure. We urge Congress to:

I. Require HUD to Improve Field Office Control Over Staff and Contractor Performance;

II. Request HUD to Specify the Administrative Implications of Changes in the Housing Laws;

III. Induce HUD to Reorganize and Upgrade the Effectiveness of Central Office Program Evaluation; and

IV. Scrutinize the Budget of the HUD Office of Policy Development and Research to Assure Relevance to Actual Program Needs.

I. HUD Should Be Required To Improve Field Office Control Over Staff And Contractor Performance.

HUD is increasingly relying upon contractors to supplement field office staff. In the first quarter of FY 1977, 58 percent of appraisals of existing homes, 27 percent of inspections, and 11 percent of mortgage credit examinations were done by fee contractors. In many field offices the number of contractors was

much higher. Ten offices report eighty percent or more of their existing home appraisals were done by fee appraisers:

Percentage of Existing Appraisals Conducted by Fee Appraisers 1/

Field Office	First Quarter FY 1977	Calendar 1976
Milwaukee, Wisconsin	100%	100%
Chicago, Illinois	97%	95%
Boston, Massachusetts	89%	91%
Miami, Florida	87%	78%
Camden, New Jersey	86%	68%
Seattle, Washington	84%	83%
Detroit, Michigan	82%	85%
Columbia, South Carolina	82%	68%
Jacksonville, Florida	80%	86%
Denver, Colorado	80%	65%

In addition, virtually all management of HUD-held single family homes has been contracted to private Area Management Brokers, who in turn hire subcontractors.

It has been amply documented that excessive reliance on fee appraisers contributed to the HUD scandals of several years ago. As the House Committee on Government Operations observed in its

1/ This information is based upon data provided by the HUD Central Office, Office of Housing. HUD officials warn that the data may not be precisely accurate; the listed percentages may vary as much as two to five percentage points. Appendix I contains the raw data for Calendar Year 1976, as provided by HUD.

report on the problems in Detroit, the "reliance on fee appraisers to perform the work which should be done by staff not only serves to mask the true personnel needs of the area office, it also forces the Department to rely upon appraisals by persons, the independence of whose judgment is open to question."[2/] (Report, pp. 22-23). As the Committee went on to point out, it is not merely a formal conflict of interest, but also the potential for conflict of interest which can cause management problems. A formal conflict of interest, such as a fee appraiser appraising his own property, is prohibited by HUD guidelines, but the possibility for informal conflicts of interest remains. The fee appraiser is often a local real estate broker, possibly with a stake in property comparable to that being appraised. While a realtor is interested in high property values, HUD has the opposite stake in accurate appraisals which do not overvalue the property. Our telephone survey of several HUD field offices indicates other problems, such as the politically influential fee appraiser who applies pressure to obtain work even though his performance is generally poor.

It has been a shortage of trained field office staff that is leading to increased reliance upon fee contractors. The staff

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2/ "Defaults on FHA-Insured Home Mortgages -- Detroit, Mich.," Fifteenth Report by the House Committee on Government Operations, June 20, 1972, at pp. 22-23. It should be added that excessive workload requirements also caused serious problems of reliability of staff appraisals. In part we look upon the increasing use of fee appraisers, inspectors, and mortgage credit examiners, as a symptom of increased workload on the full-time field office staff.

shortage[3] also contributes to another problem: insufficient field reviews as a means of quality control. Because appraisals involve numerous judgmental factors, quality control is important to assure that the appraiser has not improperly valued the property or neglected serious defects. Field office staff are supposed to control quality by reviewing all of the paperwork generated by appraisers, and also by visiting ten percent of appraised homes to check personally on the accuracy of the appraisal work (the so-called "field review"). Nationwide, HUD reports a 7.8% rate of field reviews of appraisals in 1976, instead of the ten percent recommended by HUD's own guidelines. More seriously, 68 of the 77 field offices performed less than 10% while the median HUD field office performed only about two thirds of the prescribed appraisal field reviews.[4]

Our telephone survey of several field offices reveals the problem to be more serious than indicated by the statistics alone. One office finds appraisal quality so low as to require a 15 percent level of field reviews -- about twice what the office can accomplish today. About half of the offices reported they can meet

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[3] We have carefully avoided the issue whether HUD suffers a staff shortage. Frankly, the problem seems more to be a shortage of the right kind of staff in the right positions. In one field office we surveyed a section consisting of one hard-driven, generally effective leader and several much less effective associates. On paper, the office is adequately staffed; in fact the office is insufficiently staffed properly to accomplish program objectives.

[4] This information is based upon data provided by the HUD Central Office, Office of Housing, and reproduced in Appendix I.

the field review requirements, but only with difficulty. Many report recent increases in appraisal workload, coupled with declining full-time staff and a job freeze which prevents new hiring, except of fee personnel.

As with excessive use of fee appraisers, HUD's failure to conduct field reviews of the prescribed 10 percent of appraisals contributed to the administrative problems of 1968-72.[5/] It is important to note, however, that the situation in the early 1970's was significantly worse than today. Thus, GAO reported that in 1971-72 the high-volume Detroit Area Office conducted field reviews of only 1.1 percent of appraised existing homes. In 1976, only the HUD San Juan, P.R., office had this low rate of review.[6/] Indeed, many offices conducted well over the prescribed ten percent, led by the Detroit Office at a reported 25 percent rate of field reviews.

Our point is not that HUD practices are presently of scandalous proportions. Rather, unless HUD improves its performance now, the safeguards will not suffice when the agency attempts to increase its housing production.

5/ See the HUD Inspector General Office of Audit Report, "Audit Review of SEction 235 Single Family Housing," December 10, 1971, at pp. 27-32 (Finding Two, "Need for Better Supervision and Review of Staff and Fee Appraisers.")

6/ Given that the San Juan Office reports a fairly high volume for 1976 -- 7,156 single family appraisals -- the fact of only 80 field reviews deserves further investigation.

We urge Congress to exercise appropriate oversight of HUD to assure that this does not happen. Especially valuable would be an investigation by the General Accounting Office, focusing specifically upon HUD field review policies, for appraisers, area management brokers, etc. GAO should determine (1) the validity of the handbook review requirements, and (2) actual field office practice in carrying out the handbook requirements. If GAO determines that wide discrepancies exist between necessary requirements and actual practice, Congress might beneficially hold oversight hearings on the question. Of course, far preferable would be HUD's own decision to explore the issue and undertake the necessary improvements.

II. HUD Should Be Required To Specify The Administrative Implications Of Changes In The Housing Laws.

Too many HUD operations resemble those of a fire station run by the Keystone Cops. The agency has been notorious for failing to meet statutory requirements, or even its own goals. When Congress or the courts or unfavorable publicity highlight a particular shortcoming, HUD rushes to put out the fire. But as the agency tends to the emergency of the moment, no one remains to complete necessary work in other areas.

For example, Congress established the Section 518(b) program to reimburse consumers of HUD homes with serious defects that the

appraiser should have detected. Repeatedly in our survey of field offices we were told that renewed emphasis on the Section 518(b) program was a major contributor to increased use of fee appraisers and declining field reviews. Only the most experienced staff appraisers can ascertain whether a present defect should have been detected in an earlier HUD inspection. Yet, this is the same scarce resource required for field reviews of appraisals for quality control. HUD's response to Congressional pressure for implementation of Section 518(b) was simply to allocate staff for that program, while quietly cutting back on field reviews and quality control of appraisals.[7/]

A similar situation arose in HUD's program to improve mortgagee loan servicing and property protection practices. It is important to oversee mortgage servicing practices to assure that unscrupulous mortgage lenders do not service FHA loans poorly, thereby inducing a greater than necessary number of defaults on HUD insured mortgages. Similarly, property preservation of defaulted or abandoned homes is important to HUD to protect the empty structures from vandalism and the elements.

7/ Unfortunately, the staff commitment to Section 518(b) was not sufficient to overcome the inherent problem that a field office had to pass judgment upon itself before a claim could be paid. The General Acounting Office is about to issue its second report on shortcomings in the Section 518(b) process. See "Need to More Fairly Treat Homeowner Claims for Defects in Existing Insured Houses," (1977). The earlier GAO report was issued in 1975, just before the period field offices report renewed Central Office concern about processing Section 518(b) claims.

HUD's monitoring of these mortgagee practices has been largely ineffective. Under pressure from Congress and the public, HUD finally committed itself to making 480 mortgagee reviews in FY 1976 and another 2,481 in FY 1977. In both years, HUD has failed to meet its goals, in large part because the necessary staff were reassigned to other pressing areas. For example, a 1976 court settlement forced HUD to agree to an assignment program, to attempt to work out problems of defaulting homeowners rather than allow the mortgage lender promptly to foreclose. As a result of the new assignment program, HUD devoted less than half the projected man hours to mortgagee reviews in the first quarter of FY 1977, and accomplished only 35 percent of its goal for the three-month period.[8/]

While some HUD-subsidized homeowners might be helped by the new assignment program, others will now be hurt by HUD's failure to monitor misconduct by mortgage lenders. The Department has responded to one fire by letting another one burn.[9/]

8/ See the Goals Management System Status Report for FY 1977, p. H-26. Despite its categorization of the review work as a major HUD goal, the agency has repeatedly canabalized the mortgagee review staff for other activities. HUD's Goals Management System Report for FY 1976 reports that only 284 reviews were conducted, instead of the 400 projected. The explanation: "This objective has been impacted by staffing limitations associated with the Mobile Homes Safety Standards Program, by limited travel dollars and by the Housing consolidation." (report not paginated).

9/ HUD sometimes responds to outside pressure by simply assigning additional work to field offices, without providing the necessary additional staff. For example, in 1975 the GAO issued a hard hitting report highlighting the HUD Central Office's failure to properly pay property taxes on HUD-held properties. The Central Office response was to delegate the responsibility to each field office. The Central Office neglected to accompany the new work with an allocation

Footnote continued on page 10.

We find, then, that there is a serious gap between what HUD promises and what it can in fact carry out. This issue is too rarely brought to Congress' attention in the proper context. Consider, for example, HUD's recent proposal to raise FHA mortgage limits and its commitment to increase the number of occupied units under Section 8. These are laudable goals, but to what extent will HUD be reducing program commitments in other areas in order to meet them? Legislators deserve to be fully informed of the implications of such program changes. Of special interest is the question of reduction of HUD monitoring and administrative review in order to meet the manpower demands of increased housing production. 10/

We recommend that Congress request HUD to accompany all legislative proposals with an Administrative Report, spelling out the manpower implications of each change. The Report should answer these questions:

1. What contractors and full time staff are involved in the present program? (Specify the personnel at each level: central, regional, and field office.)

Footnote 9 continued.

of additional manpower, even though about 20 people had been doing the work in the Central Office. This oversight undoubtedly contributed once again to reduced field office performance in some other area of activity.

10/ The outgoing HUD Administration left a clear warning in this regard. As the HUD transition Document (prepared by the Hills' Administration) states: "Quality control, monitoring, and management followup are the first areas to give way when there is not enough staff to meet demands of the job...." HUD Review of Programs and Functions, Volume IV, p. C-22 (January 1977).

2. What staff and contractor increase will be required to implement the proposed legislative change (again, specify central, regional, or field levels).

3. What staff does HUD propose to reallocate from other programs? Specify the consequences for those programs.

4. What field reviews are presently required for the program HUD seeks to change? To what extent is HUD meeting those requirements? Does HUD commit itself to meeting review requirements for the changed program?

Given this information, Congress will be able to explore the administrative implications more extensively during hearings on proposed changes. Similarly, submission of such a statement by HUD would help Congress when considering its own changes in the housing laws.

The Administrative Report should impose little additional work upon HUD. The Secretary and her administrators must analyze this information themselves in order to make a sound decision to recommend legislative changes. The Administrative Report will merely embody these considerations in a brief statement for congressional committees to review. Unless Congress does require such a statement, we shall be left with the present HUD practice of canabalizing one program to serve another, with no outside accountability at all.

III. HUD Should Be Induced To Reorganize And Upgrade The Effectiveness Of Central Office Program Evaluation.

HUD needs a central evaluation office to detect program difficulties before they get out of hand. Absent such a mechanism, HUD delayed years in responding to the housing scandals which began in the late 1960's. By the time the HUD Secretary at last realized he had a problem, the problem was overwhelming. In the aftermath so far, some 1,300 people have been indicted. Despite individual efforts, it is simply too easy for the HUD Central Office, and especially the policymakers on the Tenth Floor, to be out of touch with happenings in the field.[11/]

There are several offices labelled "evaluation," scattered throughout HUD under various Assistant Secretaries. However, these tend to be weak, often lacking the mandate to do the necessary job. For example, interviews with Office of Housing personnel reveal that Housing's evaluation group lacks the independence necessary for hard-hitting reports. Moreover, evaluation staff become discouraged when their recommendations are ignored by program managers and higher Housing officials.

11/ The HUD Office of Inspector General, generates high quality program audits, for example the 1971 post-mortem on the Section 235 failures cited in this testimony. Needed in addition, however, is an office of evaluation which will produce high quality evaluations for the Secretary before program flaws have caused such severe damage that they draw the Inspector General's attention.

The evaluation group in the Office of Policy Development and Research (PD&R) shows somewhat greater potential. Although PD&R is somewhat remote from program management, the evaluators have adopted the salutary practice of including program personnel in their evaluation teams. However, the group suffers from its remote position under a deputy assistant secretary burdened with numerous other responsibilities. Thus, evaluators may be denied timely access to important information because they do not have the influence to compel cooperation from a recalcitrant program office. Timeliness is the important point here; if an evaluation must be completed within six weeks, a delay of even a couple of weeks can seriously undermine quality.

We recommend that Congress investigate the possibility of upgrading HUD's Central Office evaluation program. The PD&R evaluation group, combined with many of the presently underutilized evaluators from other offices, might be elevated to report directly to the HUD Secretary or Undersecretary. This would both give the office the additional influence needed to assure timely cooperation from program offices, and provide HUD's Tenth Floor policymakers with the evaluations they need to reduce their remoteness from problems in the field.

Besides upgrading the evaluation function, HUD needs to expand its sources of information. There is a natural tendency for HUD field officials and the various special interest groups living off of HUD programs to provide only that information beneficial

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to their interests. This tendency contributes to the problem that HUD receives negative program information only after entire neighborhoods or even cities may have been badly impacted. Needed is a direct link between HUD and the final consumers of HUD programs, the consumer, neighborhood, civil rights, and public interest groups in the localities affected by HUD policies.

We urge Congress to investigate the possibility of empowering the HUD office of Neighborhoods and Non-Governmental Organizations, and Consumer Protection, to contract with such groups for neighborhood-level evaluations of the impact of HUD activities. For example, local groups could monitor expenditures of Community Development Block Grant funds by recipients, the performance of mortgage lenders in certain neighborhoods, and the impact of HUD property disposition practices in various localities. It would be up to the HUD Office of Neighborhoods and Consumer Protection to assure the quality of the work and actually to dispense grant funds after a formal solicitation among community groups.[12/]

12/ For the record, the Housing Research Group has not accepted federal grants in the past, and does not intend to apply for HUD monitoring grants proposed here. We advance the idea solely for its merits.

IV. The Budget Of The HUD Office Of Policy Development And Research Should Be Scrutinized To Assure Relevance To Actual Program Needs.

Under the previous Administration, the Office of Policy Development and Research spent too much money on unnecessary research, and not enough on sound policy development.

Classic is the PD&R treatment of prepurchase counseling for low income subsidized homeowners, an important program safeguard. HUD's failure to accompany the Section 235 program with prepurchase counseling walked thousands of consumers into a housing situation for which they were totally unprepared, often with disastrous consequences.[13/]

Although the 1968 Housing and Development Act (as amended) requires HUD to provide prepurchase counseling for low income homeowners (Section 106(a)(2)), both the old and new Administrations have ignored this mandate. Thus, Secretary Harris' FY 1978 budget calls for 100,000 units of Section 235 housing, but fails to provide money for systematic prepurchase counseling.

Instead of carrying out the law, HUD prefers to study the issue through the Office of Policy Development and Research. In the years 1972 through 1976, while refusing to implement an

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13/ See the Office of Audit Report, "Audit Review of Section 235 Single Family Housing," December 10, 1971, at p. 56; and "Counseling Low-Income Homeowners," Twenty-Third Report by the House Committee on Government Operations, May 24, 1976.

effective counseling program, HUD spent $1 million on studies of prepurchase and delinquency counseling.[14/]

The major HUD study of prepurchase counseling was performed by the OSTI corporation in 1974 for $500,000. When OSTI concluded that prepurchase counseling is a good idea, PD&R criticized the work on methodological grounds and called for yet more research.[15/] When HUD finally budgeted some money for counseling for FY 1977 (mostly for default and delinquency counseling, but also for prepurchase), primary control over the funds went to PD&R for study, rather than for establishment of an ongoing program as required by law.[16/]

We urge the Subcommittee to terminate the present PD&R research on prepurchase counseling for subsidized homeowners. Instead, the money involved should be used to create an active program. Only after the counseling program has begun to deliver services should PD&R conduct an evaluation, to determine how the program should best be run.

14/ See transcript, HUD Office of Consumer Affairs and Regulatory Functions, monthly meeting, January 11, 1977, at p. 63. (Statement of Christopher Wye, PD&R.)

15/ See A Study of the Effectiveness of Voluntary Counseling Programs for Lower-Income Home Ownership, prepared by the Organization For Social And Technical Innovation, Inc. (OSTI), May, 1974.

16/ It is important to distinguish research on prepurchase counseling for HUD subsidized homeownership programs from that on unsubsidized programs. PD&R's present research plan calls for both. Because of PD&R's extensive research and the requirements of Section 106(a)(2), we call for termination of subsidized counseling research in favor of an operating program.

On the other hand, the 1970 Housing Authorization Act, Section 26, requires HUD to analyze the feasibility of prepurchase counseling for unsubsidized programs. We urge that this research be limited to a bare-bones budget, so PD&R doesn't repeat the poor performance shown in its earlier counseling studies.

We also urge the Subcommittee to earmark $10 million from HUD's FY 1978 budget to be used for a prepurchase counseling program to accompany all Section 235 homes. This miniscule part of the multi-billion dollar HUD budget is important not only to carry out the law, but also to construct another meaningful program safeguard in anticipation of HUD's efforts significantly to increase production of subsidized single family housing.[17/]

The overstudy of prepurchase counseling is only one example of PD&R's problems. Indeed, Congress acted last year to impose greater accountability upon the office, revoking PD&R's past statutorily open-ended authorization, instituting a process of annual authorizations and setting the first such authorization several million dollars below the HUD authorization request.[18/]

Congress was motivated primarily by revelations of wasteful and unnecessary PD&R contracting. (For example, a $168,000 bicentennial graphics and street signage program; and a $149,000 grant for preparation of a bicentennial book on general quality of life in

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17/ We would add that the figure of $10 million is modest for the projected 100,000 unit HUD Section 235 Program, averaging $100 per counseled homeowner. This is especially true because of the screening function of a good counseling program. Sister Kate McDonnel of Washington's Housing Counseling, Inc., estimates it takes roughly ten screening sessions for each homeowner actually moving into a Section 235 Home. Moreover, it takes multiple counseling sessions, both before and after the sale, for adequate preparation of the homeowner. We recommend only $10 million, because of the difficulty of establishing a larger program by the end of the budget year. Funds for a larger counseling program should be added later, according to HUD's operating experience.

18/ See "Housing Authorization Act of 1976," Report from the House Committee on Banking, Currency and Housing (Report No. 94-1091; May 6, 1976), pp. 12-13.

metropolitan areas.[19]) We wish to draw the Subcommittee's attention to the other side of the same problem, that PD&R has failed to carry out activities important to sound program development.

For example, HUD has failed to act to turn Section 13 of the Real Estate Settlement Procedures Act into workable reality. That Act requires HUD to demonstrate modernized title registration systems and report the results to Congress by 1979. Yet, HUD has not yet even let a contract to begin a demonstration. As it will take several years to obtain demonstration results, HUD will undoubtedly miss the congressional deadline, despite the potential of modern title systems to save consumers literally hundreds of millions of dollars.[20]

Another example concerns administrative safeguards discussed earlier. The HUD Office of Inspector General found in 1971 that 24 percent of new houses and 39 percent of existing houses sold to Section 235 homeowners were seriously defective.[21] But almost

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[19] For a more extensive list, see Housing & Development Reporter, Vol. 3, No. 22, pp. 988-989 (March 22, 1976).

[20] The calculation is based upon a 1975 Consumers Union estimate that simplified searches under the Torrens system can cost as little as $28, once the property has been initially registered. See "Buying A House? How To Deal With Closing Costs," Consumer Reports, p. 486 (August, 1975).

[21] As reported in the GAO Report, "Opportunities To Improve Effectiveness And Reduce Costs Of Homeownership Assistance Programs," B-171630, p. 24 (1972).

six years later, PD&R has yet to determine the feasibility of mandatory prepurchase inspections and warranties as a means of protecting the 100,000 Section 235 homeowners HUD projects for FY 1978. Once a systematic program is developed, the small inspection and homeowner warranty costs could be included in the individual home mortgages.

In all of these areas, it is important that PD& R emerge from its academic vacuum and propose remedies for the problems it studies. Needed is tough congressional scrutiny of the PD&R budget until the office meets the first part of the PD&R mandate: Policy Development.

V. Conclusion

We have prescribed a rigorous program for HUD: improvement of program safeguards in the field, periodic submission of Administrative reports to Congress, upgrading Central Office evaluations, and reorienting PD&R to sound policy development. Except for our advocacy of a working counseling program, virtually none of these activities call for additions to the HUD budget. Instead, they call for careful administration -- for the laying of a strong foundation upon which increased production can be based without fear of collapse.

This Subcommittee, responsible for HUD appropriations, is important as one of the arms of Congress to which the agency most naturally responds. Past HUD skimping on administrative safeguards has been penny wise and program foolish. We urge the Subcommittee to continue its vigilant oversight of HUD activities, with special attention to the program safeguards which can save taxpayers money while benefiting consumers.

Thank you.

Testimony of Thomas H. Stanton
April 18, 1977

APPENDIX I

Calendar Year 1976
Appraisal Data

	Number of Appraisals By Type of Structure		Total Fee Appraisals	PERCENT FIELD REVIEWS	Total Field Reviews
	NEW	Existing			
U. S. TOTAL	96,214	391,053	222,264	7.8%	37,918
REGION I					
Conn., Hartford	22	641	197	7.7%	51
Maine, Bangor	246	241	-	1.8%	9
Mass., Boston	153	1,887	1,712	7.6%	155
N. H., Manchester	9	59	-	0	-
R. I., Providence	20	96	-	26.7%	31
Vt., Burlington	12	75	9	0	-
Total for Region I	462	2,999	1,918	7.1%	246
REGION II					
N. J., Camden	752	5,534	3,748	11.3%	710
N. J., Newark	3	4,071	4,728	21.2%	1,285
N. Y., Albany	94	2,631	644	5.2%	143
N. Y., Buffalo	101	4,732	4,142	7.3%	353
N. Y., Hempstead	-	-	-	--	-
N. Y., New York	38	10,559	8,370	8.6%	908
P. R., San Juan	1921	5,235	2,127	1.1%	80
Total for Region II	2,909	34,762	23,759	9.2%	3,479
REGION III					
Del., Wilmington	-	791	294	1.9%	15
D. C., Washington	13	1,526	16	3.8%	59
Md., Baltimore	318	2,144	612	7.0%	172
Pa., Philadelphia	296	3834	1,097	10.0%	415
Pa., Pittsburgh	218	1034	333	1.6%	20
Va., Richmond	546	4508	1,720	7.2%	365
W. Va., Charleston	83	500	293	10.3%	60
Total for Region III	1474	14,337	4,345	7.0%	1,106
REGION IV					
Ala., Birmingham	2357	7132	4,768	8.7%	824
Fla., Jacksonville	1258	4,004	3,434	10.8%	567
Fla., Miami	2300	10,390	8,102	10.9%	1,387
Fla., Tampa	2267	11,175	6,402	11.0%	1481
Ga., Atlanta	650	9,834	6,314	6.3%	662
Ky., Louisville	651	5,587	2,262	6.0%	374
Miss., Jackson	535	5,641	196	7.4%	457
N. C., Greensboro	470	5,457	2,522	6.3%	375
S. C., Columbia	544	4,238	2,879	6.6%	316
Tenn., Knoxville	425	2,544	428	10.6%	316
Tenn., Memphis	1250	4591	2,420	9.8%	575
Tenn., Nashville	469	2,789	1,527	2.0%	76
Total for Region IV	13,676	73,382	41,254	8.5%	7410
REGION V					
Ill., Chicago	469	5,496	5,242	6.7%	399
Ill., Springfield	102	1,069	-	8.1%	95
Ind., Indianapolis	203	8,238	4,371	7.8%	656
Mich., Detroit	590	17,764	15,031	25.4%	4,658
Mich., Grand Rapids	384	3,263	1,270	6.5%	236
Minn., Minneapolis	1970	11,893	4,660	6.0%	834
Ohio, Cincinnati	946	5,204	2,840	7.3%	446
Ohio, Cleveland	112	4,250	1,464	7.7%	336
Ohio, Columbus	706	4,005	937	10.3%	487
Wis., Milwaukee	78	845	866	8.0%	74
Total for Region V	5,560	62,027	36,681	12.2%	8,221

Percent Field Reviews are calculated by dividing "Total Field Reviews" by Total Appraisals (the sum of "New" and "Existing") for each office.

Testimony of Thomas H. Stanton
Appendix I, continued

	Number of Appraisals By Type of Structure		Total Fee Appraisals	PERCENT FIELD REVIEWS	Total Field Reviews
	NEW	Existing			
REGION VI					
Ark., Little Rock	487	2441	1,008	3.7%	107
La., New Orleans	76	3,351	1,377	2.8%	97
La., Shreveport	512	2,576	562	5.8%	178
N. Mex., Albuquerque	1274	4,691	1,824	4.4%	261
Okla., Oklahoma City	1,191	6,900	3,374	2.5%	201
Okla., Tulsa	775	3,948	964	5.0%	235
Tex., Dallas	3914	8,463	4,096	6.5%	802
Tex., Fort Worth	1918	7,117	3,011	6.9%	626
Tex., Houston	7933	5,917	3,522	6.6%	868
Tex., Lubbock	2540	5,646	1,791	6.8%	557
Tex., San Antonio	577	4,088	1,622	6.6%	308
Total for Region VI	20,597	55,138	23,151	5.6%	4,240
REGION VII					
Iowa, Des Moines	345	1,589	446	9.3%	179
Kans., Kansas City	374	3,654	1,670	8.2%	330
Kans., Topeka	31	1,427	-	7.0%	102
Mo., St. Louis	331	5,930	4,083	4.9%	306
Nebr., Omaha	565	2,137	1,019	8.4%	227
Total for Region VII	1,646	14,737	7,218	7.0%	1,144
REGION VIII					
Colo., Denver	2009	10,432	6,810	4.4%	549
Mont., Helena	194	1,808	637	7.0%	141
N. Dak., Fargo	155	770	233	4.8%	44
S. Dak., Sioux Falls	160	1,292	263	6.5%	95
Utah, Salt Lake City	2,897	4,879	1,247	5.6%	435
Wyo., Casper	372	338	10	5.8%	41
Total for Region VIII	5,787	19,519	9,200	5.2%	1,305
REGION IX					
Ariz., Phoenix	4570	15,386	10,013	7.1%	1,416
Calif., Los Angeles	2460	23,442	15,966	5.6%	1,457
Calif., Sacramento	5718	10,436	6,672	10.2%	1,645
Calif., San Diego	4585	9,220	6,229	7.0%	966
Calif., San Francisco	10,524	16,760	11,318	5.4%	1,482
Calif., Santa Ana	6,131	15,836	11,296	6.8%	1,489
Hawaii, Honolulu	341	665	35	4.8%	49
Nev., Reno	3,498	5,285	3,672	7.0%	619
Total for Region IX	37,827	97,030	65,201	6.8%	9,122
REGION X					
Alaska, Anchorage	65	231	-	14.5%	43
Idaho, Boise	633	1,814	577	5.2%	79
Oreg., Portland	642	2900	593	5.4%	381
Wash., Seattle	4,278	7746	6,401	6.7%	807
Wash., Spokane	658	3431	1,966	8.2%	335
Total for Region X	6,276	12,122	9,537	7.0%	1,645

SOURCE: HUD Central Office, Office of Housing

Note: HUD officials state that, with a few exceptions in outlying areas, virtually all fee appraisal work is on existing homes rather than new construction.

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