

1045

95y 4
P 96/110
95-H 76

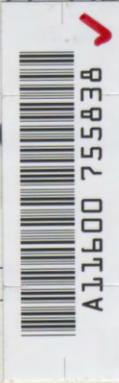
AMENDING TITLE IX OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

Y 4
.P 96/110

DOCUMENTS

95-H 76 12 1978

GOVERNMENT
Storage



LIBRARY
UNIVERSITY

HEARING

BEFORE THE

SUBCOMMITTEE ON
AND COMMUNITY DEVELOPMENT

OF THE

COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE

NINETY-FIFTH CONGRESS

SECOND SESSION

ON

S. 3319

A BILL TO AMEND THE PUBLIC WORKS AND ECONOMIC
DEVELOPMENT ACT OF 1965, AS AMENDED

AUGUST 3, 1978

SERIAL NO. 95-H76

Printed for the use of the Committee on Environment and Public Works



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1978

34-478 O

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

JENNINGS RANDOLPH, West Virginia, *Chairman*

EDMUND S. MUSKIE, Maine	ROBERT T. STAFFORD, Vermont
MIKE GRAVEL, Alaska	HOWARD H. BAKER, Jr. Tennessee
LLOYD M. BENTSEN, Texas	JAMES A. McCLURE, Idaho
QUENTIN N. BURDICK, North Dakota	PETE V. DOMENICI, New Mexico
JOHN C. CULVER, Iowa	JOHN H. CHAFEE, Rhode Island
GARY HART, Colorado	MALCOLM WALLOP, Wyoming
DANIEL PATRICK MOYNIHAN, New York	
KANEASTER HODGES, JR., Arkansas	

JOHN W. YAGO, Jr., *Staff Director*

BAILEY GUARD, *Minority Staff Director*

PHILIP T. CUMMINGS, RICHARD M. HARRIS, KATHERINE Y. CUDLIPP (Minority), and
RICHARD E. HEROD (Minority), *Counsels*

HAROLD H. BRAYMAN (Minority), *Senior Professional Staff Member*

Professional and research staff: JAMES K. ASSELSTINE (*Minority Nuclear Counsel*), JOSEPH N. BOWMAN
KARL R. BRAITHWAITE, KATHERINE CAPLES, E. KEVIN CORNELL, PAUL L. FADELLI, GEORGE F. FEN-
TON, Jr., RANDOLPH G. FLOOD, KATHALEEN R. E. FORCUM, ANN GARRABRANT, RICHARD T. GREER,
CAROLE A. HACKES, WESLEY F. HAYDEN, GEORGE JACOBSON, KATHLEEN A. KORPON, CURTIS MOORE
(*Assistant Counsel, Minority*), CLIFFORD M. NAEVE, JUDY F. PARENTE (*Assistant Minority Staff Director*),
KEVIN PHELPS, JOHN B. PURINTON, Jr., JAMES D. RANGE (*Assistant Counsel, Minority*), W. LEE RAWLS,
PETER D. ROSENBERG, LAWRENCE J. ROTH (*Assistant Counsel*), JACQUELINE E. SCHAFER, CHARLENE A.
STURBITTS, E. STEVENS SWAIN, Jr., ROBERT I. VAN HEUVELEN, SALLY W. WALKER, LEWIS W. WATTS,
BARBARA WEBB, and HAVEN WHITESIDE

PAUL CHIMES, *Editorial Director*

SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT

QUENTIN N. BURDICK, *Chairman*

LLOYD BENTSEN, Texas	HOWARD H. BAKER, Jr., Tennessee
DANIEL PATRICK MOYNIHAN, New York	ROBERT T. STAFFORD, Vermont
KANEASTER HODGES, JR., Arkansas	JOHN H. CHAFEE, Rhode Island

(II)

CONTENTS

OPENING STATEMENTS

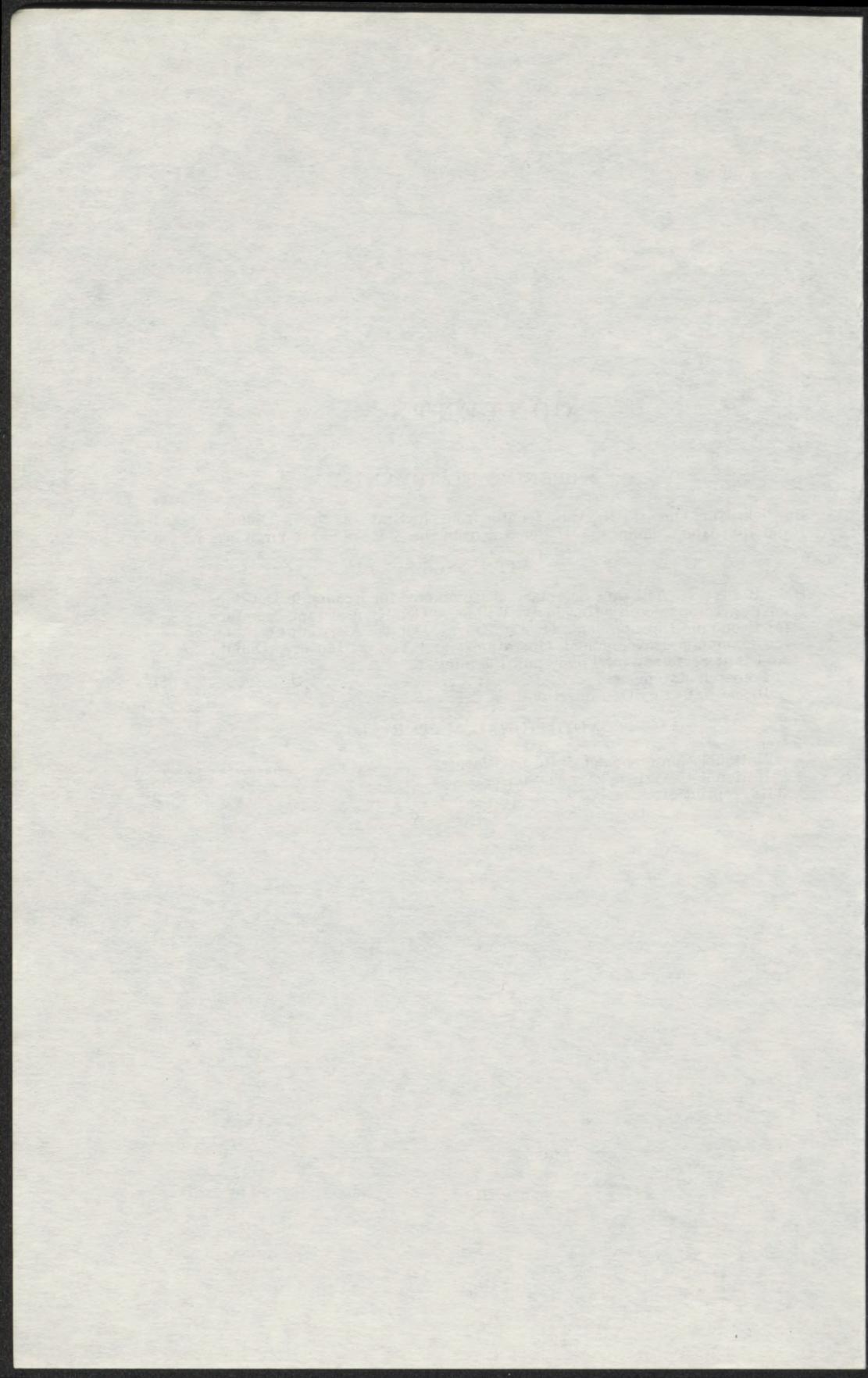
	Page
Burdick, Hon. Quentin N., U.S. Senator from the State of North Dakota..	1
Randolph, Hon. Jennings, U.S. Senator from the State of West Virginia..	3

WITNESSES

Hall, Robert T., Assistant Secretary of Commerce for Economic Development, accompanied by Harold W. Williams, Deputy Assistant Secretary for Economic Development; George Karras, Deputy Assistant Secretary for Economic Development Operations; and Victor Hausner, Deputy Assistant Secretary for Policy and Planning.....	3
Prepared statement.....	41
Responses to written questions.....	62

ADDITIONAL MATERIAL

Letters:	
National Conference of State Legislatures.....	86
National Governors' Association.....	88
S. 3319, reprint of.....	3



AMENDING TITLE IX OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965

THURSDAY, AUGUST 3, 1978

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT,
Washington, D.C.

The subcommittee met at 9:30 a.m., pursuant to call, in room 4200, Dirksen Senate Office Building, Hon. Quentin N. Burdick (chairman of the subcommittee) presiding.

Present: Senators Randolph, Burdick, Hodges, and Stafford.

OPENING STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM THE STATE OF NORTH DAKOTA

Senator BURDICK. Good morning.

The President's budget request for EDA's title IX program for fiscal year 1979 is \$180.5 million. Since the authorization for that title is presently \$100 million, the \$80.5 million difference cannot be appropriated without increasing the authorization level to \$180.5 million. S. 3319 contains the administration's request.

Our hearing today is to gather more information from the Administrator of EDA and his top staff about what these funds are to be used for. The transmittal letter proposing the legislative change from the Secretary of Commerce had attached a statement of need and purpose for the increased authorization. Unfortunately, it is quite vague and tells us little about the intended use of the increase requested. It says—

This increase would fund an expanded program of special economic development and adjustment assistance. This assistance would enhance governmental efforts to cope with problems of economic adjustment and economic deterioration in distressed areas.

Let me review briefly the history of title IX. It was passed in the 1974 amendments extending the Public Works and Economic Development Act. Many will remember that the Nixon administration that year proposed to phase out EDA and its programs and substitute a bloc grant approach to States to continue the same kinds of program and project activity carried on by EDA. A small percentage of the requested funds would be held back in Washington to be used in particular adjustment situations: To help communities cope with the closing of military bases or the closing of a plant because of environmental regulations.

The Congress rejected the bloc grants to States, but elected to experiment with the adjustment concept by adding a title IX to the act. The new adjustment program was authorized at \$75 million. While the legislative history indicates that the Congress left the scope of the new program open ended, a thoroughgoing review of what was being achieved and what was expected got pushed aside by the necessity to deal with the impacts of the recession through such programs as title X's job opportunities program and the various legislative versions of local public works, culminating in rounds I and II.

Title IX was significantly amended in 1976 when the Congress extended and amended the basic legislation. Added as an eligible activity to the adjustment program was authority to make grants to an eligible area or community that demonstrated long-term economic deterioration. So title IX had two major purposes: Assistance to areas suffering serious dislocations to their local economies and assistance to areas with long-term economic decline problems.

Title IX was conceived initially as an adjunct to the programs of long-term assistance. Some people are beginning to ask whether it is an example of the tail wagging the EDA dog. I have not made that judgment. But I would pass on to you some of the concerns being expressed in recent months about the title IX programs.

First, though the program is well into its fourth year, guidelines defining the scope of the program have not been issued, and administratively it has been somewhat unfocused at EDA.

Next, EDA is using title IX to carry out its urban program with less attention to rural areas.

Next, a great many, maybe the majority, of the projects funded under title IX could have been funded under EDA's other titles.

Finally, why authorize additional funds for EDA when the Senate has raised EDA's budget over the President's requested amount without the \$80.5 million increase in authority?

Senator Weicker expected to be here this morning to tell us about his proposal to amend EDA's section 204. Unfortunately, because of illness in his family he cannot be here. His amendment would change that title II program which presently authorizes the capitalization of revolving loan funds for business and industrial development in eligible areas from a loan program to a grant program.

The administration opposes the Weicker amendment. They say it is unnecessary because title IX is already a grant program that can achieve the same purposes. I hope we might examine this morning the relationship of section 204 to title IX in this regard.

Finally, we have asked Mr. Hall to discuss with the subcommittee the origins and content of a new EDA program called comprehensive economic development strategies, referred to as CEDS. I understand this is a new demonstration effort involving a select number of cities and economic development districts.

Senator Randolph is planning to be here but is delayed and will be here shortly. His statement will be made a part of the record at this point.

[Senator Randolph's statement and the bill, S. 3319 follow:]

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

The Subcommittee on Regional and Community Development today is conducting an important hearing on the Administration's request to increase the authorizations for title IX of the Public Works and Economic Development Act. The President's budget for fiscal year 1979 identified this increase. Legislation, however, was not transmitted to the Congress to implement this request until much later this year. The hearing this morning will focus on the reasons for the Administration's request for this increase. Assistant Secretary of Commerce Bob Hall is testifying today and I am sure will provide us with detailed information on the proposed uses of the funds requested in this legislation.

The title IX authority was expanded in the 1976 Act to include long term deterioration. The Administration is currently seeking to implement this legislation and has proposed regulations. The Committee on Environment and Public Works and particularly this subcommittee has reservations about the thrust of the title IX program as the proposed regulations are currently constituted. We will seek to clarify the legislative intent of title IX through these hearings and other discussions with the representatives of EDA.

Mr. Chairman, I am sure this morning's hearings will be valuable as we seek to determine where the title IX program will be going in the future. We must be particularly aware that the entire Public Works and Economic Development Act is to be authorized next year. This hearing can provide us with a forum to gain advance information prior to an in-depth series of hearings next year.

I am sure this morning's testimony will be valuable as well any other which the subcommittee will receive at a later hearing on this same subject.

[S. 3319, 95th Cong., 2d sess.]

A BILL To amend the Public Works and Economic Development Act of 1965, as amended

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Public Works and Economic Development Act of 1965, as amended, is hereby amended by substituting for the present section 905 the following:

"Sec. 905. There is authorized to be appropriated to carry out this title not to exceed \$75,000,000 for fiscal year ending June 30, 1975, and \$100,000,000 for the fiscal year ending June 30, 1976, not to exceed \$25,000,000 for the transition quarter ending September 30, 1976, not to exceed \$100,000,000 per fiscal year for the fiscal years ending September 30, 1977, and September 30, 1978, and not to exceed \$180,550,000 for the fiscal year ending September 30, 1979."

Senator BURDICK. Welcome to the committee, gentlemen. Mr. Hall, you may begin any way you wish.

STATEMENT OF ROBERT T. HALL, ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, ACCOMPANIED BY HAROLD W. WILLIAMS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT; GEORGE KARRAS, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT OPERATIONS; AND VICTOR HAUSNER, DEPUTY ASSISTANT SECRETARY FOR POLICY AND PLANNING

Mr. HALL. Thank you, Mr. Chairman. We have a rather lengthy prepared statement, and with your permission, I would like to perhaps just give the highlights of the prepared statement and then submit it for the record (see p. 41), if I may.

Senator BURDICK. Not only with my permission, but with my recommendation. A good idea.

Mr. HALL. Thank you, sir.

We do appreciate the opportunity to come before you this morning to outline our efforts in the title IX program and also particularly to open some dialog on our efforts on comprehensive economic development strategies.

I would like to start off by saying that indeed the title IX program is a unique instrument, one that has required the agency to give a lot of deep thought on how it could best be used given the objectives set forth by the Congress. I would be the first to say that perhaps the stewardship of title IX by EDA in the past has not been as effective as we would like, and what I will report this morning is on our attempts to better organize, administer, and manage the title IX program.

As the chairman has indicated, there are two basic features of title IX. One is to address what is called sudden and severe economic dislocations, and the second major feature is to deal with long-term economic deterioration. The third facet of title IX which we are incorporating as a major program component is the establishment of local revolving loan funds. That, of course, relates to the 204 program in which, as the chairman mentioned, Senator Weicker has such a deep interest.

Clearly, in terms of the history of the title IX program, it has been used with a high degree of flexibility to respond to a lot of circumstances and situations. These responses have not always been perhaps in accord with or along the lines of some well-established policies and procedures. We are in the final stages of program guidelines for three facets of the title IX program. We have guidelines for sudden and severe economic dislocation and local revolving loan fund, all of which we will be delighted to share with the committee.

One may be in more of a draft stage than the other two, but we think it is appropriate to get feedback and input from the committee as early as possible. We hope by the end of August to be able to go out on a broader public basis and publish the guidelines, through the month of September get additional comments, advice and counsel from the country at large, and begin to operate the title IX program in concert with these guidelines effective at the beginning of the new fiscal year.

I would like to take a little time to talk about the three facets of the program.

On the sudden and severe economic dislocation (SSED) program, we have determined baseline eligibility criteria to identify what magnitude of dislocation, measured in terms of job loss, would call for EDA assistance. We have had difficulty, Mr. Chairman, identifying what are, in effect, sudden and severe economic dislocations, and what would be the appropriate circumstances under which the title IX program funds should be utilized. We have established certain criteria when this program could come into play.

On the long-term economic deterioration (LTED) program, this has been, quite frankly, one of the more difficult pieces to work our way through. We are currently exploring eligibility criteria for this LTED effort. We are giving it consideration by examining this very

closely and spending quite a bit of time seeing how it would work. We are considering the use of criteria somewhat akin to that proposed for the National Development Bank. We can talk about that later at your pleasure.

We don't want merely to mirror another program's set of criteria. Of course, given the traditional objectives and purposes the EDA program, we may have to make some modification to the bank criteria in order to make them applicable to the LTED program. However, we would like very much to try to make the various criteria for related types of programs as comparable as possible. Clearly, the National Development Bank activity is directed toward dealing with long-term economic distress.

On the revolving loan funds, let me just say we think the course that we have set forth in operating over these 2 years, fiscal years 1978 and 1979, is, in effect, a demonstration program using title IX moneys to test out the concept of a local revolving loan fund (LRLF).

As you will recall, Congress appropriated \$15 million in fiscal 1978 to initiate this program under the section 204. There are great difficulties at present in using section 204, particularly the loans from the Federal Government to local communities. Many local communities don't have the statutory authority to receive such loans. Many have indebtedness problems. There are a range of other problems that make the 204 program very difficult to use for local revolving loan fund purposes.

Therefore, we proposed and the appropriations committees have concurred, to operate a 204 type program under title IX, and we are in the process of mounting an effort of \$15 million over this fiscal year. We are hopeful of having a similar effort next year.

I must say, Mr. Chairman and members of the committee, that the concept of a local revolving loan fund is very attractive. Translating this concept and these principles into operating practice is very, very difficult. We have had some experience in the agency with local revolving loan funds. I think one lesson we have learned is the need for a high degree of expertise and capacity at the local level to design, manage and carry out such funds.

If there is one thing that is missing in government—and I include the Federal Government—it is a surplus capacity of experience in many of these areas. So we think it is appropriate that we go at a measured pace, one in which both the agency and the local communities learn by doing to build expertise and experience. On the basis of that experience over this next fiscal year, we believe we would be in a better position, in the context of reauthorization of PWEDA, to come up with recommendations for a permanent local revolving loan fund program which would address many of the deficiencies that we have identified in the currently existing section 204 program.

I would just like to briefly note our comprehensive economic development strategy (CEDS) effort. Let me just say in a few words what we are trying to do and what we are trying not to do. I think there has been a lot of confusion about CEDS.

What we are trying to do very basically and very fundamentally is to improve the economic development planning and investment process that is currently ongoing in the United States. We have had a great deal of experience and time under our belts regarding overall economic development programs.

I think it is fair to say that in many areas, perhaps all too many areas, we have a process whereby local communities are going through a paper process, coming up with paper plans to, in effect, qualify themselves to receive ad hoc projects from EDA. I am not characterizing the whole OEDP program in that way. I am just saying that is the way a good portion of them do operate. This is grantsmanship, not what we think could and should be good economic development processes.

Therefore, taking a look at what we are doing now, our guidelines and procedures, to find out what works and what doesn't work. For what doesn't work, we are trying to find out why and to come up with improved processes for both localities and ourselves for matching EDA and other Federal investments, with the most critical economic development needs of the communities.

There are two key aspects of the CEDS concept. One we call a linkage. What we are trying to accomplish is better linkage of EDA programs. Far too often in many of our activities we end up funding a public works project here, and coming into a business loan project there, and maybe a TA project over there and a little planning assistance elsewhere in a locality. They never really get together in a cohesive way.

This problem has been contributed to by the way the agency has been organized. Sometimes I feel I am trying to manage many fiefdoms. I have a public works fiefdom and a business development fiefdom, and I have some folks way down there in technical assistance. They are all competent professionals. They are good people, and they are carrying out their mission. But what we need to do is take their functions and interrelate them better. The same thing has to be applied at the local level.

What we are doing is package up, if you will, the EDA tools in a more comprehensive way so that local communities can get a more critical mass of resources to make a more targeted attack on their economic problems and in the course of that carry out better handling of the economic opportunities. Sometimes we talk about the economic problems and not enough about the economic opportunities.

The second part of the linkage is the question of other Federal aid. We think EDA is a great place, but there is a lot of economic development assistance in other parts of the Federal Government. HUD, Agriculture, and other economic development-related funds came to local communities from UMTA and EPA, for example.

Indeed, I believe I have said this previously before this committee. Sometimes one may draw the conclusion that more economic development decisions are made elsewhere in the Federal Government than are made in relation to the work and activities of EDA. Certainly we are all familiar with the implications of mass transit, as in the highway program. A system of beltways and highways is set up leading out of the city, in some cases causing the flow of economic growth to leave the urban area. We are all familiar that housing, industrial and commercial development would follow the path of water and sewer lines, which are the lifeblood of such activities.

In terms of linkage of Federal programs, we are trying to assist local communities in considering the funds and programs that are available from Federal agencies in addition to EDA—specifically, the

urban development action grants from HUD. We are working with HUD officials to get support and recognition for the CEDS effort and a whole range of other Federal programs in their programs and funding decisions.

Another major philosophy behind the CEDS approach is strengthening the planning process is to bring greater attention and focus to what we call leveraging, that is, trying to take the Federal resources and see how we can maximize the private sector investment. We try to do a better job in influencing location decisions as far as distressed areas and expansion of existing private sector activities.

So it is these two buzz words, if you will, linkage and leverage, that give a guiding star to how we design and package what we think makes more sense in the economic development process.

I am not suggesting we have come up with some wonderful, bright, new decisions that heretofore haven't existed. We need to examine what has been working, what hasn't been working, to give ourselves some tests in what are good economic development processes and what are not, and to see how we can work with the local communities to come up with a better way of doing the people's business.

I would like to underline that CEDS is truly a demonstration effort in some 37 areas, 23 urban, 14 rural, which includes one Indian reservation. Over the course of the last 6 months and over the next 6 or 8 months, we hope to draw some lessons and guidance from this demonstration which would apply to the OEDP guidelines and processes in general.

We are not sure how it will all come out. We have been encouraged by the activity to date. The best encouragement so far is that demonstration areas, the economic development districts and city economic development agencies, are so enthusiastic about it. We have had people say this approach is just plain commonsense. We give local people an opportunity to better marshal the Federal resources, and also to better link their local and, to some degree, State resources.

The other point about CEDS I will mention is that the economic development process is not something that you rush in with a couple of projects and programs in 1 year and somehow correct or make an appreciable dent in severe, substantial economic problems. Clearly, what is needed is a multiyear strategy. To really have an effective multiyear strategy, you need to have some multiyear commitments if you are going to be serious about doing something in economic development. Local authorities need to have some understanding so that they can lay out an approach, a strategy, for 2 or 3 years and have a reasonable assurance that there will be some level of Federal and other assistance to effect that strategy.

Now, we are not saying that EDA is in a position to make legal multiyear commitments. Obviously the Appropriations Act requirements preclude that. All things being equal, where good strategies have been put together, we would, in effect, stay with them as best we could in terms of a continued level of support.

Those, Mr. Chairman and members of the committee, are my general remarks. My testimony has a lot more in the way of detail. I would be pleased to answer any questions you may have. I have with me my colleagues, and we look forward to a good dialog on both title IX and CEDS, and any other matter you would like to bring up.

Thank you.

Senator BURDICK. Thank you.

The chairman of our committee, Senator Randolph.

Senator RANDOLPH. Thank you, Mr. Chairman.

I know that Senator Stafford and you, Mr. Chairman, will be continuing this hearing. I must give some testimony at another hearing which is beginning at 10 o'clock. I am appreciative of the fact that I am able to be here for these few minutes.

I note, Mr. Hall, that you are speaking of the various uses to which EDA funds are spent. I think they are invested rather than just spent, because I have always felt that the dollars that increase the strength of that community for future years through projects and programs that are lasting in value.

Hal Williams and I were in Charleston, W. Va., a few days ago. A very large development project in our capital city caused me to realize the value of EDA. Many times EDA is the catalyst that brings together funds from many sources, as you have indicated, without which many projects and programs would not move forward.

That is not to say that there is no determination at the local level to fund, insofar as possible, but the EDA program in our State, and I am sure in other States, has often been the reason that worthwhile projects and programs could be completed. These moneys beginning with the passage of the first act in 1965 and carried on through the years.

I will say that I think, generally, throughout the country, EDA is a good program. I particularly call our attention for the record to the comment of Senator Weicker of Connecticut, who has some thoughts about EDA which are very constructive and perhaps very useful in what we may do in the future. But even with those criticisms, if we were to call them that, constructive suggestions, he did speak of the value of this program. He said, in essence, he believed in it, that it had done a good job.

I think Senator Weicker, who is necessarily absent today, would have wanted me to say what I am now saying.

Can you tell the members of the subcommittee what portion of these funds from EDA are currently being invested in rural areas like in the State of West Virginia or Vermont or North Dakota?

Mr. HALL. In terms of the program overall, our proposal spending pattern for the 1979 budget will go basically to a 50/50 percent split, 50 percent in rural areas and 50 percent in urban areas. There is difficulty in projecting this with great precision in that the sudden and severe activities, such as military base closing and natural disasters, are hard to predict geographically, urban or rural. In the light of past practices, we believe we can attain a 50/50 split between urban and rural areas this year.

Proportionately, more funds will be going to urban areas than in past years. But I should note, of course, that the amount of funds going into the agency is increasing. So in absolute dollars, moneys are not coming away from rural areas. In terms of dollars, there will be a shift in the proportion of funding.

We think this is important. Obviously there are important economic development needs in urban areas. We view EDA as a national economic development agency, and we have responsibility to deal with

economic distress wherever it resides. We are very concerned that the country not lose focus on the very real, severe, and important economic development needs that continue to exist in this country's rural areas.

So we are proposing and have been supporting the concept of balanced national growth, of which the Senator, of course, is a leader and proponent. We are making the case for this approach and in the councils of the executive branch.

Senator RANDOLPH. Mr. Hall, I was not attempting to try to place the rural in the more important posture than the urban needs. I only want to say that so very often, as you and your associates know, there is lacking the financing, there is lacking the expertise in rural sections in bringing projects together that is not lacking in the larger areas of our country. So EDA moves in and is the catalyst in making it possible for an important program or project to come into being. You recognize that.

Mr. HALL. Certainly, Senator, and we feel that the economic development district program, which is a mechanism whereby the rural areas can get together to develop the capacity to undertake economic development has been really one of the real success stories of EDA and Federal Government programs.

I might note, Senator, in dealing with some of the urban areas, the lack of expertise in sound economic development thinking and management has been one of our great difficulties. One of the things we are wrestling with is how we can get more expertise in some of the nonrural areas to do what has been done in the rural areas.

Senator RANDOLPH. This further comment, which could be interpreted as provincialism. I was, this past weekend, in Raleigh County, W. Va. That area is a developing area from the standpoint of the production of coal, as are other areas in West Virginia. We have a very real need for the development of airports throughout West Virginia. The very terrain of our State makes airports very, very vital in connection with the development of energy supplies and so forth.

There EDA was the catalyst in bringing together the funds for the terminal building. We are hopeful that as we are served in the Wood County Airport, that is Parkersburg, and Calhoun County Airport, which is Charleston, the Greenbrier Valley Airport, which is the Greenbrier County section, all that expanding and moving up to Fayette County, those airports have made it possible for the development of West Virginia to a very considerable degree.

This is happening now at the Raleigh County Airport. EDA helped to develop the terminal. Senator Byrd and I were there when the first Piedmont 737 came in to this facility. This means that scheduled jets will come into that airport, as they are now coming into other airports which have been developed and expanded in the State of West Virginia. And the very name that you carry, Mr. Hall, is economic development, isn't it?

Mr. HALL. That is correct, sir.

Senator RANDOLPH. That is exactly what is happening in West Virginia from the standpoint of the facilities I have mentioned in the locations I have told the subcommittee and you and our guests here today.

So we can never overlook, and we do not overlook, the regional and community guidance that flows from the use of EDA invested dollars. We do not let EDA come in and take the full load. But EDA by its very inception and process of its development through the years has been the means by which the banks, for instance, making loans, the community development groups being put together, all of these are a part of the strengthening not only of the State of West Virginia, but Vermont, North Dakota, and the other 47 States of this country. EDA will go down through the years ahead with a record that bespeaks of the well-reasoned thinking of the Congress of the United States and also the acceptability of the American people, the cooperation of industry, business, and commerce which join with proper governmental funding which means the strengthening of the United States of America.

If that sounds sort of like a Fourth of July announcement, I don't mean it in that sense. I just feel that this country constantly must strengthen itself across America from the standpoint of those improvements and developments which make us, I think, a better America. I keep preaching that because I believe it is very, very important.

I do not want to cut off the other parts of the world from the funding that comes from the Congress of the United States. But I am sometimes frightened—and I use the word advisedly—that we are funneling billions and billions and billions of dollars overseas in almost all parts of this world, and we then become spread so thin with our dollars that I am afraid that the priorities inherent in the EDA program cannot be taken care of here at home.

I am not attempting to criticize the voting pattern of any individual in the Congress in any particular period, but for myself, I think that here at home we must spend the dollars rather than often mispending them overseas.

Thank you, Mr. Chairman.

Senator BURDICK. Senator Stafford.

Senator STAFFORD. Thank you, Mr. Chairman.

Before I direct any questions to Secretary Hall, Mr. Chairman, I should point out that Senator Weicker had been expected to appear here this morning and to make a statement in connection with legislation which he offered as an amendment earlier in the Senate, and then withdrew on the understanding that he would be allowed to present his legislation to this committee this morning. I have before me, as you do, Mr. Chairman, a letter from Senator Weicker which states that due to an illness in his family, he is unable to be before us this morning concerning S. 3026, and that he would appreciate a future opportunity for consideration by this subcommittee and the full committee.

I am sure, Mr. Chairman, that you will agree with me that at an appropriate time and in an appropriate way, we will see he gets that consideration.

Mr. Hall, I listened particularly to your statement about the percent of EDA money or attention that goes to urban and rural areas, and that you were working toward a 50/50 split. I would like to refine

that to ask you between urban and rural, were you talking about 50 percent of the money going to urban areas and 50 percent going to rural parts of the country? Was that what you meant?

Mr. HALL. That is correct, Senator.

Senator STAFFORD. The basic purpose of title IX when it was enacted in 1974 was to provide adjustment assistance to communities threatened by sudden and severe economic dislocation; it was the thought that timely reaction to a structural problem could be more effective than attempting to resuscitate a community after collapse. Before looking at the new program outlined in your statement, let me ask these questions about the operation of the program in the past.

First, what have been the three or four most common adjustment problems, putting aside the trade adjustment program, and what percent of the funding has gone into each category? That is, in how many cases has title IX been used to address base closings? Besides trade adjustment, what is the anticipated need for adjustment assistance in other areas EDA has supported, such as adjustment assistance for base closings? And do any other Federal programs provide adjustment assistance, or is this a function unique to EDA?

Mr. HALL. Senator, by far the major activity has been in the military base closings of military defense establishments; second has been the natural disasters; and third has been—well, it depends on which fiscal year you take. Let me be more specific. We can supply for the record, if we may, a detailed table showing the amount of funds going by major category and percent.

For example, let's take fiscal 1977, which is the last full year. Thirty-three percent of the funds went for defense related economic dislocation, 10 percent went for environment, trying to make adjustment to major environmental requirements which caused major plants to close down, and then about 7 percent for natural disasters.

Senator STAFFORD. In any question I might ask, if you prefer to supply details for the record, that is perfectly agreeable to us.

Mr. HALL. Thank you, Senator.

[Mr. Hall supplied the following information:]

The four most common types of sudden and severe adjustment problems that Title IX has been used to respond, and the percent of Title IX funds used in each are:

<u>TYPE</u>	<u>PERCENT</u>
1. DoD Realignments	20.4
2. Natural Disasters	11.0
3. Environment	2.5
4. Other (excluding trade)	56.6

Title IX has been used to address 38 DoD realignments.

The most recent announcement of candidate realignment actions by the Department of Defense (DoD) in late April includes twelve candidates with major potential economic impacts. This announcement is expected to be followed by another round of candidates in 1979. Requests for development grants usually occur shortly after final decisions are made, or within one year of the announcement. Substantial implementation requests may be made immediately after final decision, but in any case, usually are made within four years of the initial announcement. Of the twelve candidate actions, at least six will occur, and EDA assistance will undoubtedly be requested by each of these six. In addition, at least eight communities from previous announcements will be requesting EDA implementation assistance within the next one to three years, as local adjustment plans are completed. Approximately five development grants and approximately five implementation grants can be expected. The average development grant would be \$75,000, as for all other problem categories. Implementation grants for DoD problems tend to be larger, since reuse of facilities is often

necessary, and a substantial amount of infrastructural improvement is therefore required. Implementation grants for DoD problems have averaged \$5 million.

As the 1983 deadline for compliance with the Clean Air and Water Clause of NEPA approaches, a greater number of dislocations caused by the inability of specific industries to comply with these provisions can be expected. Approximately four serious dislocations can be expected yearly that are primarily due to compliance with environmental regulations.

Recent experience has indicated that Title IX will be called upon to play an increasingly important role in the Federal response to disasters, in concert with FDAA and other agencies, to the specific end of helping an area restore its local economy as quickly as possible after a disaster has occurred. A minimum of four serious disasters can be expected each year.

The increasing obsolescence in many parts of the country of industrial facilities and other public facilities necessary to local economic health indicates a high potential for an increasing number of economic dislocations caused as major employers leave out_dated facilities in one area for newer facilities in another.

Each year, Title IX has responded to approximately 24 economic dislocations that cannot easily be classified (as DoD, strictly environmental or disaster-related problems). All indications are that this level of activity will continue or increase.

Total Projected Yearly Demand. Development grants averaging \$75,000; implementation grants averaging \$2.5 million normally, \$5 million for DoD dislocations.

Category	DG		IG		Total		
	#	\$(000)	#	\$(000)	#	\$(000)	
DoD	5	525	5	25,000	10	25,525	38%
Environmental	2	150	2	5,000	4	5,150	8%
Disasters	2	150	2	5,000	4	5,150	8%
Other	12	900	12	30,000	24	30,900	46%
Total	21	1,725	21	65,000	42	66,725	

These estimates of demand are very conservative. DoD may announce more realignments than anticipated, more serious disasters may occur, etc.

Several other Federal programs provide "adjustment" assistance. For example, the Department of Labor administers an adjustment assistance program for trade impacted workers, the Office of Economic Adjustment in the Department of Defense develops adjustment plans that may be used by DoD impacted communities, and communities may use their HUD CDBG funds for adjustment purposes. However, there is no other Federal program that provides community economic adjustment assistance.

Senator BURDICK. Would you yield for a question before I forget it?

Senator STAFFORD. Certainly.

Senator BURDICK. Based upon those percents, you only use 50 percent.

Mr. HALL. Yes; the remaining funds went to a category called general economic dislocation.

Senator STAFFORD. The Trade Adjustment Act of 1974 was passed about the same time as title IX in giving EDA a role in providing assistance in trade adjustment problems. When the agency extends aid in that area, do you operate under title IX or the authority of the Trade Adjustment Act? And could you give the committee a breakdown of the funds, areas and types of activities you have supported, and what is the anticipated need for assistance in trade-related adjustment?

Mr. HALL. Here again we would like to supply details. We are talking about \$94.7 million in the President's budget for trade adjustment out of the \$138.5 million recommended for adjustment.

[Mr. Hall supplied the following information:]

A decreasing amount of Title IX funds have been earmarked for trade adjustment problems. In FY 1976 the figure was \$15 million; in FY 1977, \$10 million; in FY 1978, \$1.3 million, and \$1.3 million has been requested for FY 1979.

It would be very difficult for a trade-impacted community to receive timely assistance under the provision of Title II, Chapter 4 of the Trade Act of 1974. Accordingly, the Agency extends assistance to those communities under the more responsive authority, Title IX.

Following is a breakdown of the areas, funds and types of activities funded under Title IX for trade-impacted communities:

<u>Area</u>	<u>Funds</u>	<u>Activities</u>
City of Johnstown, Pa.	150,000	Prepare an adjustment plan in response to the 3,500 layoffs at Bethlehem Steel.
City of Buffalo, N.Y.	20,000	Fund a Transition Center for unemployed Bethlehem Steel workers.
City of Lynn, Mass.	60,000	Prepare an adjustment plan in response to layoffs in the shoe industry.
Old Colony EDD, Brockton, Mass.	177,250	Prepare an adjustment plan in response to layoffs in the shoe industry.
Pitts/Allegh County	2,600,000	Implement a multi-faceted program to diversify the areas economy away from steel production.
SIMPCO, Iowa	125,000	Prepare an adjustment plan in response to closure of Zenith plant.

<u>Area</u>	<u>Funds</u>	<u>Activities</u>
City of Rolla, Missouri	43,876	Prepare an adjustment plan in response to closure of iron ore mine.
City of Union, Missouri	40,000	Prepare an adjustment plan in response to layoffs in shoe industry.
City of Mahoning, Ohio	100,000	Prepare an adjustment plan in response to closure of Youngstown Sheet and Tube.
City of Ontonagen, Mich.	30,000	Prepare an adjustment plan in response to cut-backs at copper mine.
County of Scioto, Ohio	255,000	Enable County to implement a three-year adjustment program.
City of Flora, Illinois	381,500	Prepare an adjustment plan in response to layoffs in the shoe industry.
State of Arizona	75,000	Prepare an adjustment plan in response to copper mine closures.
E. San Bern. Consortium of Cities	75,000	Prepare an adjustment plan in response to cut-backs at Kaiser Steel.
East Arkansas, EDD	75,000	Prepare an adjustment plan in response to shoe industry layoffs.
Town of Covington, Tenn.	50,000	Develop adjustment strategy.
City of Butte, Montana	200,000	Undertake feasibility study related to relocation of the Butte Central Business District.

<u>Area</u>	<u>Funds</u>	<u>Activities</u>
Niles, Ohio	100,000	Develop a strategy to diversify the economy; reduce transportation costs of raw materials in the valley and to address impact of environmental regulations.
Tell City, Indiana	50,000	Develop strategy to place unemployed G.E. workers and diversify economic base of area.
State of New York Dept. of Commerce	10,000,000	Establish revolving loan fund for purchase by Al-Tech Corp. of Bar Div. of Allegheny Ludlum Steel Corporation.
Scioto County, Ohio	50,000	Develop an economic adjustment Strategy related to Cyclops Corp. Steel plant closure.
Albion, Michigan	50,000	Develop economic adjustment Strategy related to closure of Corning Glass plant.
Niles, Ohio	1,627,870	Implement comprehensive adjustment "package" including a study of a unit-train, consolidated blast furnace & establishment of a community services fund.
Scioto County, Ohio	46,000	Prepare economic adjustment strategy for closure of William Manufacturing Co., a shoe manufacturer, due to increased imports.
Adams County Board, Quincy, Illinois	45,000	Develop adjustment strategy for closure of a Motorola TV manufacturing plant in Quincy.

<u>Area</u>	<u>Funds</u>	<u>Activities</u>
City of Tell City, Indiana	1,400,000	Implement an EDA funded and approved EAS related to closure of G.E. plant in Tell City.
County of Hawaii	90,000	Develop adjustment strategy for closure of Kohala Sugar Co.; 500 jobs lost due to trade.
City of Berlin, New Hampshire	58,000	Establish Office of Economic Development and develop adjustment strategy for shoe industry job losses.
Muncie, Indiana	5,000,000	Establish revolving fund to attract industry to vacant buildings and assist two manufacturers threatened with bankruptcy.

In FY 1978 fifteen Title IX grants, totalling \$4.6 million, were for communities suffering dislocations associated predominantly with trade impacts, as indicated by DoL certified worker groups. Of these, twelve were adjustment strategy development grants. If we make the assumption that in FY 1979 Title II, again, funds twelve development grants (averaging \$80,000 each), and that half the FY 1978 development grants results in implementation grant requests (averaging \$3 million each) in FY 1979, total demand in for trade-related Title IX assistance in FY 1979 is estimated at approximately \$19 million.

Senator STAFFORD. To what extent do areas have trade problems coincide with areas experiencing long-term deterioration of the economic base?

Mr. HALL. There is quite a parallel situation, Senator, particularly in the northeastern communities. We have an extensive amount of trade adjustment activities, for example, in New England in the shoe industry and the deterioration in places like Lowell, Mass. It really goes hand-in-hand.

[Mr. Hall supplied the following information:]

One conclusion we have drawn from our community trade adjustment pilot program is that trade impacts tend to occur not as unique phenomena in otherwise healthy local economies (although there are exceptions). Most often, there is a previous history of deterioration in the local economic base, frequently in the trade-impacted industry. This means that the appropriate adjustment strategy will often be one that pursues a long-term restructuring of the local economy. Nevertheless, when a major employer closes, owing to import competition, the impact is relatively sudden and severe from the immediate perspective of the community. EDA's approach in such situations is to respond with its Title IX sudden and severe economic dislocation program for adjustment planning and implementation activities to mitigate immediate impacts, while looking to other EDA programs, including the Title IX long-term economic deterioration program, and other Federal programs to assist with long-term restructuring.

Senator STAFFORD. Title IX, perhaps more than EDA's regular programs, emphasizes the need for intergovernmental coordination. How many title IX projects include funding from other Federal, State, or local sources? How was participation by other sources usually manifested, and if it was loans, grants, or other, how many might have included private funding?

Mr. HALL. Here again, since it has varied so much, we would have to supply it for the record.

Let me just say generally, more often than not there has been a mixture of State and local moneys with the title IX moneys, and in many instance we have had a mixture of other Federal moneys. There are several examples, particularly working with the Appalachian Regional Commission or the other title V regional commissions and other Federal agencies in terms of natural disasters. For example, the Grand Teton Dam collapse involves some \$300 million in Federal support assistance; the EDA portion was only \$4.1 million. But we feel that the initial development grant that we gave that area enabled them to put together the recovery plan and work out the strategy to effectively marshal and utilize the total \$300 million. So that is a small example of the kind of link I think your question went to.

[Mr. Hall supplied the following information:]

During the 4 fiscal years, 1975 through 1978, a total of 227 title IX projects were funded. Virtually all of those projects included funding from other Federal, State, or local sources.

Most often the other funding is a local, cash match of 25 percent of the overall project cost. State participation often times involves use of their section 304 funds.

All 29 title IX grants that were, subsequently, loaned to a private, for profit entity included private sector participation.

Senator STAFFORD. In any detailed response to the questions I asked, would you indicate also the times EDA has assumed more than 80 percent of the cost of a particular project?

Mr. HALL. Surely.

[Mr. Hall supplied the following information:]

Title IX requires a 25% participation rate. Exemptions are allowed, only when the community is unable to provide a match. Following is a list of the projects in which the grant rates exceeded 80%:

<u>Recipient</u>	<u>Amount</u> <u>(\$000)</u>	<u>Rate</u> <u>(%)</u>
Newport, R.I.	250	100
Price, Utah	50	100
State of Colorado	1,817	100
Bisbee, Arizona	30	100
Northern Maine RPC, Caribou, Me.	5,000	100
Wood County Commission, Parkersburgh, W.V.	4,382	100
Puerto Rico Ports Authority, San Juan, P.R.	785	100
Port of Gloucester, Massachusetts	6,441	85
Matewan, W.V.	36	89
Williamson, W.V.	26	87
Mingo County, W.V.	26	88
Kermit, W.V.	12	85
Region I PDC, Princeton, W.V.	32	90

<u>Recipient</u>	<u>Amount</u> <u>(\$000)</u>	<u>Rate</u> <u>(%)</u>
City of New York, Office of Economic Dev.	1,000	80
Erie County Industrial Dev. Auth, Buffalo, NY	380	100
Cambria County Planning Commission, Edensburg, PA	150	100
Commonwealth of Massachusetts	200	80
Old Colony Manning Council, Brockton, MA	170	96
Lynn, Massachusetts	60	84
State of Maryland, Dept. of Nat. Resources	581	100
Morristown, Tennessee	750	100
Fort Valley, Georgia	50	100
State of Florida, Dept. of Commerce	2,312	90
Altamaha Southern Area PDC, Baxley, GA	38	86
Butte, Montana	200	80
State of North Dakota	485	100
State of Colorado, Dept. of Local Affairs	200	100
Key West and Lower Keys Dev. Corporation	170	85
Gillette, Wyoming	60	100
Cavalier and Pembina Counties, North Dakota	51	100
United Sioux Tribes of South Dakota Dev. Corp.	25	100
Glasgow, Montana	186	100
State of Michigan, Dept. of Commerce	851	100
Scioto County, Ohio	46	100
Menominee, Tribal Enterprises, Neopit, Wis.	5,850	98
Mahoning County, Ohio	100	100

<u>Recipient</u>	<u>Amount</u> <u>(\$000)</u>	<u>Rate</u> <u>(%)</u>
Ontonagon County, Michigan	30	100
State of Washington	80	100
Bisbee, Arizona	30	100
State of Washington	3,500	100
DelNorte County, California	80	100
Mountain Apache Tribe, Arizona	441	100
Bisbee, Arizona	807	100
DelNorte County, California	2,610	100
Hoopla Valley Tribe, Hoopla, California	1,594	100
State of Idaho	150	100
Los Angeles, California	3,000	100
Metlakatla Indian Community, Metlakatla, AK	75	100
Haines, Alaska	25	88
The East Los Angeles and Community Union (TELACU), Los Angeles, California	3,636	100
Columbia River Inter-Tribal Fish Commission, Portland, Oregon	1,500	100
Greater South Texas Cultural Basin Commission, Laredo, Texas	1,370	100
South East Arkansas EDD	50	100
Cabot, Arkansas	80	100
Lonoke, Arkansas	2,155	100
Coordinating and Development Council of NW Louisiana, Inc., Kitsatchie-Delta Reg.PDD, North Delta Reg. PDD, Shreveport, Louisiana	160	100

Senator STAFFORD. In the Lazar Study, 52 cases, or 49 percent, I understand, involved plant closings or cutbacks. Does this high percentage hold true for all IX projects funded to date?

Mr. HALL. Of the sudden and severe, yes.

Senator STAFFORD. In the economic adjustment situation, the strategy selected is more clearly related to the need than in the case of a long-term economic deterioration. How does the agency intend to evaluate the effectiveness of a program submitted under economic deterioration?

Mr. HALL. The first step is for the agency to define what is meant by "economic deterioration," design a program, and establish some standards and criteria, to in effect, Senator, have a base against which we can measure. I must say I think we really haven't done that to date in the agency. As I indicated, we are in the process of doing that. Then we will, as part of our analysis and evaluation program establish an ongoing evaluation effort to measure our performance and the activities, looking at the projects and the programs to measure them against the criteria and objectives we are now establishing for long-term economic deterioration.

Senator STAFFORD. Thank you.

Senator BURDICK. Senator Hodges.

Senator HODGES. Thank you, Mr. Chairman.

I just have really more in the nature of comments. Mr. Secretary, there are two things I particularly like in your statement. You indicate your flexibility and your need for innovation, I think that is a sterling idea, and I hope you continue that sort of approach, because we have such diverse local agencies and needs and ideas and concepts. I am glad to see that approach is being taken and not writing in inflexible criteria.

The second thing is the idea of transferring your section 204 revolving loan fund into a grant program, because in Arkansas we have severe constitutional limitations on our local cities and counties making it impossible to make any commitments beyond 1 year to the point of being unable to purchase over 3 years things like heavy machinery. So I think that is an excellent idea also.

I am very much in favor of what you have outlined here. I think it is an excellent approach.

Thank you, Mr. Chairman.

Senator BURDICK. Mr. Hall, I think I will get immediately to the center of the problem this committee faces before I give you my routine questions.

Mr. HALL. I hope they are routine.

Senator BURDICK. On the floor of the Senate yesterday, we approved a bill which provided more money for rounds I and II of the LPW programs. At that time the Senator from Connecticut, Mr. Weicker, urged, but did not pursue, the increased funding for section 204. We are today talking about title IX. Why do you approve \$80 million plus for title IX and evidently do not approve \$125 million for 204? Why do you prefer a title IX increase to a 204 increase?

Mr. HALL. Two basic reasons, Mr. Chairman. One, the title IX, as we have laid out and as the Congress has enacted, goes well beyond the single function of 204. 204 is setting up a revolving loan fund. The title IX, as we know, involves dealing with sudden and severe economic dislocations, military base closings, natural disasters, et

cetera, but also includes the attempt to deal with long-term economic deterioration. And the 204 program has the deficiencies that we have noted in terms of even accomplishing its single-mission objective, that is, establishing a local revolving loan fund.

As Senator Hodges has indicated, there are many States and communities that legally can't participate in 204.

Senator BURDICK. Just a minute. The proposition offered by the Senator from Connecticut was to make a grant fund program out of that loan fund, so you would have a grant fund in 204 and a grant fund in title IX.

Mr. HALL. In terms of an amended 204, that might be a different situation. But we do not have an amended 204. Second, the administration does to propose to amend 204 at this point.

Our interest is trying \$15 million this fiscal year, and hopefully \$15 million next fiscal year, to test and try out in order to learn how to do a local revolving loan fund on the basis of our experience both at the local and Federal levels. Then we would be in a position, Mr. Chairman, to come back before this committee for PWEDA reauthorization, which is next year, with recommendations for an improved, permanent local revolving loan fund program. We just think it is too early to embark on a major program of this type.

Senator BURDICK. Well, how does all this fit in with section 203, which is supposed to be a loan revolving fund, too?

Mr. HALL. You are referring to the steel program?

Senator BURDICK. Yes.

Mr. HALL. The steel program is not a revolving loan fund, it is a standard business development loan program, and it is part of the administration's effort to assist a hard hit sector. This sector has been affected by imports.

Really, the two are different tracks. These would be guaranteed loans to the steel companies which will be paid back to the Federal Government.

Senator BURDICK. If we should increase title IX as you request by \$80.5 million, would it reduce many of the things under that program that we could do now under 204? Is there anything we couldn't do under title IX that you could do under 204?

Mr. HALL. No.

Senator BURDICK. In other words, title IX is more flexible and covers a wider range of areas?

Mr. HALL. Yes; it is more flexible, not only in terms of the problems some communities have in utilizing a loan from the Federal Government. To establish a local revolving loan fund with title IX, we would be in a better position to put a package together so a community that wants to establish a local revolving loan fund can. Under our \$15 million effort, not only would we go in with the resources for the loan itself, but also with the technical and planning assistance so we can help develop staff at the local level.

Further, we would package it by not have a revolving loan fund alone, which is really just a way of developing business loans. Business loans stand by themselves.

We could go in with grant moneys for an industrial park, for example, and a revolving loan fund could add a business development loan so a business could locate in it.

We think title IX is better programmatically. Quite frankly, Senator, the other thing is that a loan from the Federal Government under the current section 204 program to a local community, to set up and operate a local revolving loan fund would never come back to the Federal Treasury. In my book, that is a grant.

Senator BURDICK. If we converted 204 into a grant program, then, we would be in effect adding \$125 million to that program, wouldn't we?

Mr. HALL. Yes. I mean, if the Congress chose, we would be adding an authorization of \$125 million. But clearly it is the administration's view, as indicated earlier, to proceed on a cautious, well-developed path of testing out this concept with \$15 million.

Senator BURDICK. And to repeat, there is nothing you can't do under title IX which you can do under 204?

Mr. HALL. That is correct. And, indeed, as I suggested, you can do more under title IX in terms of the objective.

Senator BURDICK. Is it not true that most of the title IX projects could have been funded under EDA's regular programs?

Haven't most of them been made in EDA areas which have received EDA funds previously?

Mr. HALL. Yes, to both questions, Senator. Let me take the second one first.

Approximately 98 percent of the title IX funds have gone to either qualified or designated areas under EDA.

On your first question, a high percentage of the title IX projects, indeed, could have been funded under titles I and II. In fact, that is one of the problems that we have discovered with the title IX.

Quite frankly, it has been viewed to some degree as a source of funds when something critical came up, and going to that pot to fund the project. With the new criteria we are laying down for title IX projects, for instance, one of the tests will be to demonstrate why the projects should not be funded under the regular program, such as titles I and II. If that hurdle is not passed, they will not be eligible under title IX.

Senator BURDICK. In other words, title IX would not provide the funds unless it met the criteria under title I?

Mr. HALL. No. In terms of using the title IX program funds, we want to make sure that the problem and activity can't be dealt with first by the existing program.

If the existing program can't deal with the problem either through the design of the project or the availability of the funds, then we bring title IX into play.

We want to get away from—I will be frank with you a little bit on this—title IX operating a little loosely, so it is not viewed as a slush fund.

Senator BURDICK. Slush fund?

Mr. HALL. Yes. We perhaps have not had sufficiently tight guidelines and procedures. A problem with a good project would come up, and there would be difficulty due to limited funds under titles I and II. We would say gee, it's a good project, we can do it under title IX because it is flexible. Therefore, we went ahead and funded it.

We are getting over that mark and tightening up the guidelines.

Senator BURDICK. I would say the funds are more discretionary. I don't like the word "slush."

Mr. HALL. I was groping for other words. My colleague on my left is the Deputy Assistant Secretary.

Mr. KARRAS. Not necessarily equal time.

One problem has been that under title IX the grant rate established by that program was at 75 percent. Whereas, under title I, we have varying grant rates from 50 percent up to 80 percent. So that some of the communities would perceive the title IX approach to be more attractive and in developing their strategies, would, obviously, try to go that route.

And as the Assistant Secretary was saying, indeed, in the past we have had difficulty with that kind of problem. The basic problem we have had, however, is that some of the investments, that were suggested in investment strategies when dislocations occurred, did have the coloration of an industrial park or something that looked like title I.

And I would admit that I was with the Agency in those years and I cannot say that I wasn't. There were not clear distinctions between what is an appropriate title I project and an appropriate title IX project. And over the last several months, the Agency has evolved a guideline to make that clear.

We are hopeful we can now discriminate between those two titles in the program.

Senator BURDICK. What are some of the innovative projects that have been undertaken under title IX which could not have been under regular programs? Give me a couple of examples.

Mr. HALL. I would like to defer.

Mr. KARRAS. Well, for example, we could look at the Glasgow Air Force Base in Montana. What happens when you get a realignment of this type from the Defense Department is that something is left behind; in this case, a major Air Force facility with an awful lot of buildings on it.

And the question, then, is how does the community reuse that facility. So we do two things there: one, we provide what we call a development grant to help the leadership of the area decide what the best use of that facility would be in the community for economic development; and, two, provide assistance in terms of providing expertise, namely staff to determine what should be done.

Now, the determination there was to, indeed, take those massive buildings, and they were massive, to determine how they can be recycled into appropriate industrial land for industrial space.

And the big problem there was that it has central heating facilities, and it was very, very expensive to operate. It was not cost-effective. It was very expensive to operate. And we used title IX to be able to isolate certain places that were amendable to industrial development and provide the necessary facilities for that purpose. That was one example.

One could say why don't you do that in title I? Well, we have never done anything like that in title I. And as it was a Defense-related activity, it was more suited to title IX.

Senator BURDICK. Since you mention Glasgow, did you use some of the funds in North Dakota?

Mr. KARRAS. If they can come in with the kind of program to meet the title IX program.

Senator STAFFORD. Mr. Chairman, before you abandon this area, I believe next summer there will be a radar base closing in my part of the country. I hope some of these funds will be available then.

Mr. KARRAS. Senator, we have a list of base closings, and there are special marks next to certain facilities.

Senator HODGES. I hope none in Arkansas.

Senator BURDICK. I see title IX, a 100-percent grant going into pretty large amounts: \$12.5 million in Philadelphia; over \$11 million, Paterson, N.J.; \$11 million to Baltimore; \$7 million to Los Angeles; \$6 million to Gary, Ind.; \$5 million to Muncie, Ind.

They seem like large grants and a modest pot of money. Now, in title IX, can you discuss some of these grants?

Mr. HALL. Yes. They are fairly sizable, but then relative to the problem they are trying to tackle, one might even describe them as modest.

The one in Philadelphia, the American Street project, relates to the Frankford Arsenal closing, basically. There is was a combination of moving railroad track that ran right down the middle of this commercial area. It involved some loan aspects, improvement of water and sewer, and improvement of the roads. And, in effect, it was a converted project for a whole deteriorating, rundown industrial tract to bring it back up to a level that could retain and create jobs in a part of Philadelphia that was very adversely impacted by a military base closing.

The Gary, Ind., project was in the central downtown which had completely deteriorated. This was more of a commercial revitalization of the city center to try to keep it a little bit better together.

So the two are the kinds of the things we do in the long term.

Senator BURDICK. Is there any provision in title IX grants for a matching share arrangement for a community getting a grant?

Mr. KARRAS. We have a 75-percent participation rate, expecting, of course, that the applicant will provide 25 percent as a local share.

The Assistant Secretary has the authority to waive that local share when it is demonstrated on the part of the applicant that the situation is so compelling that they don't have the resources to provide it. The Assistant Secretary can waive it. The waivers have been very few.

Senator BURDICK. When you used title IX funds for projects, must they always go into a local revolving fund? Can't some of that money come back to the Federal Treasury?

Mr. HALL. The local revolving fund is only one tool or one aspect of the title IX program. Under title IX program, we can also make public works grants, direct business development loans, and technical assistance grants.

So the revolving loan fund aspect of title IX is just one part, actually a small part.

Senator BURDICK. Could you take us through two kinds of projects? First, a dislocation project.

Let's say, a large plant in or near a city of 15,000 closes. What actually happens? Who does what, and how long does it take to get some action?

Second, a long-term deterioration project, what are the steps here, what is the timetable, and so forth?

In other words, how do you operate?

Mr. HALL. Let me respond generally and ask Mr. Karras to be a little more specific.

In terms of the military base closing, of course, we are not alone. We are part of the Government-wide effort led by the Department of Defense. DOD chairs an interagency committee. The Office of Economic Adjustment in the Defense Department informs us of what facility is going to be closed and the timing of the closure.

We work with them before the event. When we go out with them, to prepare and inform the local community, we support the funding of reinvestment strategies, which are review strategies, for the facilities to be closed. Out of the review strategies come plans for the use of EDA and possibly other Federal moneys for economic activity and perhaps adjustment assistance for the individuals.

It is interesting to note that under title IX there is what I call a people's fund. The authority under title IX allows the payment of supplementary unemployment insurance, rent supplement, relocation payments, and manpower training and retraining. We have not done a lot of that, Mr. Chairman.

In fact, we do not believe that unemployment insurance is an appropriate use of title IX funds. We think that such payments come more appropriately from a State's unemployment insurance account in the Department of Labor accounts.

We have provided some funds for mortgage and rent support to tide over the affected individuals. Indeed, we are considering a one-situation support providing credit for individuals that have been laid off to tide the mover until they get back to work so they don't lose their capital and personal belongings.

So that is the process of working together with the Defense Establishment. We move in with a restudy plan, and on the basis of that local developed study plan, we fund to the extent we have resources adjustment projects that makes sense and come out of that plan.

With respect to long-term economic development deterioration aspect, we are right now in the process of really trying to formalize our policies and procedures. We are roughly following the same process of the identified areas to perhaps support a strategy, funding individual projects over time.

Senator BURDICK. What about the timetable? How long does all of this take?

Mr. HALL. It probably takes more time than it should. In some situations, we move in quickly. In others, there has been, quite frankly, too much delay.

There have been complications at the Federal level, and there have been difficulties many times in getting an effective readjustment strategy out of the local community.

An example is the Frankfort Arsenal closing. Frankly, it took too long working with ourselves and the city to get that study put together. We finally put together a good program which is starting to get underway, but we are trying to improve our track record in that area.

Senator BURDICK. If you might when you are having coffee some time, kind of take a look out how fast you operate an LPW, and maybe you could pick up pointers.

Mr. HALL. We will do that, Senator.

Of course, there are different circumstances. The more players and more hands around the table, the more difficult it can be.

Senator BURDICK. I understand.

Your statement suggests that heretofore EDA has done projects for the public works grants or business loans on kind of a scattered basis with little coordination between the program elements. Was not the OEDP program intended to implement? If so, why did it fail?

And what is successful about OEDP? And give us your concept of that in relation to what you suggest can be done under title IX.

Mr. HALL. I certainly don't want to leave the impression that the agency's total activity and past effort has been disjointed or uncoordinated. I was pointing out that we have had some difficulties in the past, and I expect we will have some difficulties in the future, trying to link the projects and the programs together to the degree that they should be. We have had some problems and some weaknesses in some areas more than others.

Other areas, some of the OEDP's and some of the programs, are excellent. Those are the ones we want to learn from.

Generally, Senator we are saying that nothing is perfect. We have a lot to learn at the local community level. We are trying to identify and work on the weaknesses to see if we can do a better job across the board.

There is no magic set of practices; there is no magic formula. There is a hell of a lot more commonsense that can be applied and there are things we can do differently at the Federal level to make it easier for the localities. And certainly there are things the localities can do to make the overall process better.

Senator BURDICK. As I understand, the theory behind the OEDP was to integrate the programs. Has it failed to integrate?

Mr. HALL. In many instances, yes. We can show you OEDP's which run 5 or 600 pages long. The first 595 pages tell you what the problem is, and one page has a solution. And the solution is a list of projects they would like to have funded.

It is very hard to cross over from this list of projects, a grant list, if you will, to the main part of the study which outlines the problem identifying what priorities and strategies are. It is difficult, in many instances, to see how the projects on that one page relate to each other on the strategy.

That is an example of the worst case. We have other OEDP's which lay out problems, opportunities, and strategies to deal with the problems over time. These OEDP's identify a series of projects and priorities among those projects. They show how the projects relate.

Many show the intended use of other Federal funds. That, to us, is investment planning and an investment strategy.

It is that good kind of OEDP we want to learn from.

Senator BURDICK. In using title IX for dislocation problems, you have authorized to do hardware projects as well as assist individuals who are suddenly put out of a job. What kind of aid has been provided?

Mr. HALL. Most of the activity has been directed toward the hardware projects, if you will.

In terms of assistance to individuals, we have done a little. As I indicated, we had a small program of some rent and mortgage supplements for some individuals. We had a program where I believe we provided some payment assistance to fishermen who couldn't fish. They had the boats and had to make the payments on them. So we assisted on the payments on the boats until the particular problem was cleared up and they could fish again.

As I indicated, we are considering a consumer loan program where a large number of individuals have been laid off from actually well-paying jobs. The type of work in which they are engaged in the industrial sector is improving. We know they are going to find work and get back to work, but in the meantime there is the possibility of losing their homes and automobiles. This particular company's credit union has been carrying them. We will be working with the credit union to, in effect, provide some loan assistance to tide this particular group over.

So those are some of the examples. We can supply for the record, Senator, the range of people, activities, and dollar amounts and proportion, if you like.

Senator BURDICK. Fine, if you would.

[Mr. Hall supplied the following information:]

	FY 1976			FY 1978		
	\$	%	#	\$	%	#
*Rent Supplement	540	0.6%	1	0	0.0%	0
**Consumer Loan Guarantee	0	0.0%	0	1,000	1.2%	1

*A Rent Supplement was used as part of a Strategy Implementation Grant to the State of Florida, Department of Commerce. The project's purpose was to financially assist those employed in the spiny lobster industry in the Greater Miami and Marathon areas which has been adversely effected by actions of the Bahamian Government. In order to financially compensate those individuals adversely effected by the Bahamian Government's actions, rent or mortgage payments up to \$150.00 per month were made to the adversely effected families for up to four (4) months. Obligations for the entire project totalled \$2,313,000. Of this, \$540,000 or 23.3%, was for the Rent Supplement project.

**The consumer loan guarantee program will help former B-1 workers in Los Angeles County maintain payments on personal debts during the period of their unemployment so that cars and other personal items are not repossessed.

You say you have chosen 37 demonstration areas for your comprehensive economic development strategy. Suppose I am the mayor of one of those cities. I have a planning department and sophistication in putting things together.

Just how would this system work? How would it work in economic development districts?

Mr. HALL. I am going to ask Mr. Karras to describe the process. But first, I would like to say that the selection of these 37 areas was, in effect, a mutual selection.

We went to the communities. We described what we were proposing, the nature of the demonstration, how it would be tested. In effect, we got volunteers to work with us. We did select a broad spectrum of different localities, urban and rural, cities geographically spread. We pick up some sophisticated areas and some areas that weren't very far along in the economic development business to see what could be done in those kinds of areas.

I am going to ask Mr. Karras to describe the process from the point of their interest in participating.

Mr. KARRAS. For the demonstration in the rural areas, we chose to use the institution called an economic development district. They have been in place now for several years. They are fairly well staffed. They have demonstrated a capacity to pull together the leadership of the various small communities that make up the economic development district. These are places with four, five, six, or seven counties.

We felt in administering the program we had to go area- or region-wide to test that program. We didn't feel we could go through a little community of 1,000 and attempt to demonstrate the program that parochially.

What we are, in effect, doing is asking the district—and there are 13 involved—if they indeed want to participate in this program. They all have said they do. They have demonstrated considerable enthusiasm for it.

They are now in the process of doing what Mr. Hall indicated, preparing what we call an investment strategy to link their planning efforts which they pretty much have in place, but to link it with their intentions to see investments growing in the various communities that make up the economic development district.

In the past, obviously, we have responded on a 1-to-1 basis with those communities in those districts. We put an industrial park in one place, and down the road a piece another industrial park.

As you know, in many rural areas industrial investment is a major focus for the economic development program, particularly in the Southeast and Southwest. All we are saying is we ought to have a better idea from the district organization where it make sense to make investments within the district.

And also, we are, in effect, saying that the Farmers Home Administration funds, the CD block grant funds and State funds have to somehow play a role, as they do play a role in economic development. And we are asking them in their investment strategy to suggest not only the priority areas they want to focus on in their district, but also to indicate where they expect to get a full range of resources that are in the Federal, the State, and local governments, as well as in the private sector, to administer these programs within the district.

So we expect in that process to make more rational investments that flow from the strategy so we don't just drop a project without the kind of developmental concepts in the program. We expect to have those investment strategies in 75 percent of those 14 districts completed within the next 2 or 3 months, certainly in time to have them play a judgment role in our investment of funds for the fiscal year which is starting in October.

Senator BURDICK. Then, you believe that this method is better for rural areas?

Mr. KARRAS. Yes, using the economic development districts is the way to go. They have the expertise and capacity.

Senator BURDICK. Do these demonstration districts have any advantage over other areas that don't have a district in getting EDA funds?

Mr. HALL. No, not really. We are trying to work on a process and not, in effect, select certain areas and say, "you are in a special category, a special position."

Clearly, if an area develops a very good and effective investment strategy and comes up with a very good set of projects and programs, we would be very interested in supporting those projects and programs.

But the intent here is not to single out and give special consideration from the financing standpoint to these test areas. We are really trying to develop and test the process. After we have learned from the efforts, we will be applying it across the program overall.

So this is not a win-lose kind of situation.

Senator BURDICK. Coming back to the revolving funds. I can imagine some smaller communities assisted when a plant closes and not have much expertise to manage its revolving funds. There would have to be some solid thinking about the use of these funds.

How does EDA meet that situation, if it is a situation?

Mr. HALL. If the community is in the economic development district, we would look to the economic development district to be the manager of the local revolving loan fund activity for that affected community.

Senator BURDICK. A town has been helped after a plant closes and sets up a revolving fund with Federal funds. But after dislocation is taken care of, the town may begin to prosper. It seems unfair for that place to use Federal funds over and over again that they probably don't need.

Have you considered this question?

Mr. HALL. Yes; we have considered this question. Most of the time we would expect that the need for the funds will be sufficient in those communities. It will be a long time down the road and rare instances where a community no longer have a need for funds to support economic growth and economic development.

Senator BURDICK. Do you expect to recommend significant changes in the EDA authorizing legislation based on some of the things you are trying now like the CED's? Would you change the OEDP requirement?

Mr. HALL. Senator, it is too early to speculate in terms of what sort of changes we will be proposing for the reauthorization. We are hoping to learn a lot, as I indicated before, from the experience process. If those things look good, look viable, make sense, and work, and if

that means making changes in the OEDP, we would certainly propose that.

Senator BURDICK. Getting back to your request for \$80 million in trust funds for title IX, are you aware the Appropriations Committee in the Senate yesterday increased substantially title II funds? About \$150 million.

Mr. HALL. Yes, sir, I am aware of the committee mark for the EDA budget, and specifically the increase over the President's budget in title II to the amount of \$152 million.

Senator BURDICK. And you are asking for another 80.5 in addition to that?

Mr. HALL. Well, the things are complicated at this point. There is the President's budget request for the agency of \$627.4 million.

The Senate and the House action on the floor, and, subsequently, in the conference will affect our view on the \$80.5 million that originally was requested as part of title IX. It is clear that the Agency's and the administration's position is that the total amount of funds made available for this agency in 1979 should be \$627.4 million.

If indeed the marks today are without consideration of the topic under discussion—that is the \$80.5 million for the furthering of the title IX—we would have to stick to the \$627.4 million.

So if the Congress completed action and ended up with a budget above \$627.4 million, it is clear we would not be supporting any further additional money for title IX above that mark.

Senator BURDICK. As I understand it, \$180.5 million is budgeted. It is in the President's budget, is it not?

Mr. HALL. Yes; it is in the President's budget. But it is not contained in the Senate mark or the House mark, sir.

Senator BURDICK. Are you saying that the money in the appropriations bill under title II, that you would not want the \$80.5?

Mr. HALL. Would you repeat?

Senator BURDICK. Are you saying that the additional appropriation that the Senate Appropriations Committee put in the bill yesterday, would you say \$152 million is more than you wanted?

If that stays in the bill, will you still want the \$80.5 million?

Mr. HALL. No. Indeed, we would not want the full \$152 million as it exceeded the President's budget.

Senator BURDICK. Senator Stafford, do you have questions at this stage?

Senator STAFFORD. Mr. Chairman, I have a series of questions and I am going to ask the Secretary and his associates to answer in writing instead of presenting them here this morning.

But, Mr. Hall, I do think maybe I have misunderstood one of your responses. And that had to do with the split of funds between urban and rural areas.

As I understand it, there are some 10,000 rural areas and 1,800 urban areas that qualify for so-called long-term deterioration assistance. I understood you to indicate that it was your intention in the future to see that approximately half the money went to urban areas and half the funds available went to the rural areas.

Was that what you intended to convey?

Mr. HALL. No. Senator, what I intended to convey, the 50/50 I was talking about was total EDA budget, titles II, III, and IX overall, the total amount of funds.

With the \$627.4 million we have requested this year, our intention is to split that 50/50 between urban and rural. The 1,800 communities, that you noted, are the eligible communities that flow out of the criteria of eligibility for the National Development Bank.

We are considering and looking at the criteria of the National Development Bank to apply it to the long-term economic development. We have not made a decision on that.

We are really talking about 50 different things here.

Senator STAFFORD. I guess I understood you, but your answer is really that you do not necessarily intend to have half the funds under title IX, whether you have \$100 million or \$180 million, go to rural areas as opposed to urban areas?

Mr. HALL. No. The 50/50 would be a composite of all the titles. How specifically the title IX splits would be a function, for example, of what degree under the sudden and severe economic dislocation, such as the military base closings, that would affect the overall split of title IX.

Mr. KARRAS?

Mr. KARRAS. All I was going to say, in terms of military closings, our experience has been, particularly this year, that most of the money went to rural areas.

The point I was going to make Bob, was under LTED. Given the National Development Bank's criteria, as I remember the figures, Bob, it breaks down to about 60/40, something like 60 percent in urban areas against 40 percent in rural areas.

But when you look at the title IX overall in terms of the other pieces, then, the flexibility that the Assistant Secretary talks about in achieving the 50/50 split will really come from the fact the other programs will have a greater emphasis in the rural areas.

Senator STAFFORD. As I understand it, if you get \$180.5 million for fiscal year 1979, about 77 percent of that or \$136.75 million will go to your LTED programs, and 23 percent, or \$42.5 million will go to the sudden and severe economic dislocation program.

Are we on track?

Mr. HALL. That is correct.

Senator STAFFORD. How much of the \$136 million for the LTED program do you plan to spend in rural areas?

Mr. HALL. Let me respond to the historical record. Overall, in title IX, 56 percent was urban and 44 percent was rural. In the long-term economic development to which Mr. Karras referred, 64 percent was urban and 36 percent was rural.

In terms of sudden and severe, 40 percent was urban and 60 percent was rural. We would anticipate that that break would probably continue in the title IX program in 1979.

You can see the LTED is more urban oriented, and they average out 56 urban and 44 percent rural overall.

Senator STAFFORD. Do you have a breakout of what the relative population may be between the rural areas and the 1,800 urban areas?

Mr. HAUSNER. Senator, the 1,800 urban communities have 75 percent of the population, and 10,000 or so rural communities have 25 percent of the population.

Senator STAFFORD. Mr. Secretary, the eligibility criteria you have outlined suggests that the title IX economic deterioration program is first and foremost an urban program. The fact that the President proposed an additional \$275 million for title IX in his urban policy message reinforces that perception.

What is the "economic development" in the cities? Which economic problems will this program attempt to address?

Mr. HALL. First, Senator, I would perhaps disagree with you slightly. We don't feel the National Development Bank and the additional title IX resources are wholly urban. We see that this activity will operate to a great degree in the rural areas as well as the urban areas.

But in terms of what we can attempt to do in the urban areas, one of the key things we have to worry about with urban economic problems is the retention of existing economic activity. It is not so much attracting new firms to locate, but to retain the existing firms in the urban areas and to foster some expansion of their ongoing activities.

So that is one. But there are a whole range of somewhat special and unique problems in the urban areas. Quite frankly, you have the problems of insurance for arson and crime, of congested streets in getting the materials in and out, of security of goods and materials, and of obsolete manufacturing facilities that do not lend themselves to more economic production.

But on the other hand, you have other advantages. There is a potential labor supply of individuals that require a lot of manpower training. The existing infrastructure in urban areas, water and sewer lines are there. You don't have that to contend with.

On balance, we feel that there are economic opportunities of which we can take advantage. We may have to tailor our projects and programs a little bit, but we think a lot can be done. This certainly is the focus of much of our work.

Senator STAFFORD. Mr. Chairman, I think we will submit the rest of my questions for response in writing, due to the time. (See p. 62.)

I appreciate the Secretary and his colleagues being up here.

Senator BURDICK. Any further questions?

Senator HODGES. Yes, sir.

If you will indulge me for a moment. I have been critical in the past and had differences over the urban and rural bit. I won't talk about that.

But I do think in one area in particular, the chairman mentioned section 203. I live in a town of 8,000. Last year the steel mill closed there, which employed 300 people, some of the highest paying jobs.

The EDA has done an exceptional job, I think, of making available under section 203 a loan to companies in bankruptcies. They did an incredible job with working with banks and trustees.

In addition, they provided supplemental unemployment to keep the skilled workers there. So, I think if you can do that sort of work in title IX, as you are asking, I am very excited about the possibilities.

This work was accomplished before I was sent to the Senate, so you can't say they became very interested because the Senator from Arkansas was from that small town of 8,000. This went on before that.

I think it is also a credit to our economic development district in Arkansas. I don't know about the rest of the Nation, but in Arkansas it did an exceptional job working with us here in Washington. So I

do want to compliment them for what I think was a very, very fine cooperation in my town.

I don't always disagree.

Mr. HALL. I am sorry, Senator, that you have decided to end your Government career in Washington.

Senator HODGES. At least, I will end it on a complimentary note.

That is all I have.

Senator BURDICK. We may hear some other witnesses, including Senator Weicker, later on. For that reason, we will recess, subject to the call of the Chair.

Mr. HALL. Mr. Chairman, I would like to, if I can for the record, I would like to make one comment.

I have made some very frank statements about the title IX program and some of the difficulties that the agency has had in the past in some aspects of it. And I would like the record to show that, indeed, the individuals who have been working on the title IX program in the agency, particularly Mr. Paul Dempsey, have done a fantastic job under very, very difficult circumstances.

And the main problem has been agency leadership in terms of decisionmaking, and Mr. Dempsey exemplifies the high professionalism of the staff of EDA. And I would like the record to show that that is the case.

Senator BURDICK. Anything further? —

[No response.]

Senator BURDICK. We will be in recess.

[Whereupon, at 11 :20 a.m., the subcommittee recessed, to reconvene subject to the call of the Chair.]

[Mr. Hall's prepared statement, responses to Senator Stafford's written questions, and letters from the National Conference of State Legislatures and the National Governor's Association follow:]

STATEMENT OF ROBERT T. HALL,
ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT
BEFORE THE
SUBCOMMITTEE ON REGIONAL AND COMMUNITY DEVELOPMENT
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
UNITED STATES SENATE
AUGUST 3, 1978

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE,

THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY ON THE ADMINISTRATION'S REQUEST TO INCREASE THE AUTHORIZATION LEVEL OF PWEDA TITLE IX. LATER IN MY TESTIMONY, I WILL DESCRIBE OTHER EFFORTS WE ARE MAKING TO IMPROVE THE EFFECTIVENESS OF LOCAL ECONOMIC DEVELOPMENT PLANNING AND PROGRAMMING AS WELL AS OUR OWN PROGRAM DELIVERY SYSTEM.

THERE ARE, OF COURSE, TWO PRIMARY PROGRAMMATIC ELEMENTS IN TITLE IX, PERHAPS THE AGENCY'S MOST VALUABLE MECHANISM FOR DEALING WITH PARTICULARLY DIFFICULT FORMS OF LOCAL ECONOMIC DISTRESS. FIRST, TITLE IX AUTHORIZES ASSISTANCE TO AREAS THREATENED OR AFFECTED BY SUDDEN AND SEVERE ECONOMIC DISLOCATIONS SUCH AS THOSE CAUSED BY THE LOSS OF MAJOR EMPLOYERS, OR FEDERAL ACTIONS SUCH AS MILITARY BASE CLOSINGS, AND COURT DECISIONS. ASSISTANCE IS PROVIDED TO HELP COMMUNITIES PLAN AND IMPLEMENT PROGRAMS TO PREVENT OR MITIGATE THE IMPACTS OF SUCH DISLOCATIONS.

SECOND, TITLE IX FUNDS MAY BE USED TO HELP AREAS EXPERIENCING LONG-TERM ECONOMIC DETERIORATION. AGAIN, FUNDS CAN BE USED BY ELIGIBLE COMMUNITIES BOTH FOR PLANNING AND PROGRAM IMPLEMENTATION PURPOSES.

A THIRD AREA WHICH MY TESTIMONY WILL COVER IS THAT OF LOCAL REVOLVING LOAN FUNDS AND THE TITLE IX POLICIES EDA WILL FOLLOW IN MAKING THIS RELATIVELY NEW REDEVELOPMENT TOOL AVAILABLE TO DISTRESSED COMMUNITIES.

PROGRAM HISTORY

TITLE IX WITH ITS PRESENT AUTHORIZATION OF \$100 MILLION HAS BEEN OPERATIONAL FOR FOUR FULL YEARS. ORIGINALLY ENACTED IN 1974 TO PROVIDE SPECIAL ASSISTANCE TO COMMUNITIES IMPACTED BY "SUDDEN AND SEVERE ECONOMIC DISLOCATION," THE TITLE WAS AMENDED IN 1976 TO EXTEND ELIGIBILITY TO PLACES EXPERIENCING THE AGGRAVATED AND SELF-REINFORCING PROBLEMS OF CHRONIC DISTRESS AND LONG-TERM ECONOMIC DETERIORATION.

THE PROGRAM WAS SET UP IN 1975 TO OPERATE ON A QUASI-EXPERIMENTAL BASIS. NO RIGID ELIGIBILITY CRITERIA WERE ESTABLISHED AND THE PROGRAM WAS OPERATED BY A VERY SMALL STAFF IN EDA'S WASHINGTON OFFICE. DURING THE FIRST THREE YEARS OF THE PROGRAM, WE HAVE FUNDED A TOTAL OF 149 PROJECTS TOTALLING \$211 MILLION. THIS FISCAL YEAR, WE ANTICIPATE FUNDING ANOTHER 45 PROJECTS COSTING \$63 MILLION, NOT INCLUDING THE FY 1978 SUPPLEMENTAL REQUEST FOR TITLE IX.

THE URBAN/RURAL AND REGIONAL FUNDING PATTERNS OF THE PROGRAM HAVE VARIED DRAMATICALLY DURING ITS SHORT HISTORY, DEPENDING ON THE NATURE OF ECONOMIC DISLOCATION BEING EXPERIENCED AROUND THE NATION. IN 1975 AND AGAIN IN 1977, OVER ONE-THIRD OF THE FUNDING FOR SUDDEN DISLOCATIONS WENT TO ASSIST PLACES AFFECTED BY MILITARY BASE CLOSINGS. DURING THE COMPLETE HISTORY OF TITLE IX, THE URBAN/RURAL FUNDING SPLIT HAS BEEN 56% AND 44%, RESPECTIVELY.

EDA'S EXPERIENCE WITH TITLE IX HAS, OF COURSE, BEEN LIMITED UNTIL RECENTLY TO THE PROBLEM OF SUDDEN ECONOMIC DISLOCATIONS. BECAUSE TITLE IX PROVIDES THE ONLY SOURCE OF QUICK AND FLEXIBLE FEDERAL ASSISTANCE TO DEAL WITH THESE SITUATIONS, EDA TYPICALLY HAS SEVERAL TIMES AS MANY ELIGIBLE PROJECTS AS WE CAN FUND.

THE EXTENSION OF TITLE IX'S LEGISLATIVE MANDATE TO ASSIST AREAS EXPERIENCING LONG-TERM DETERIORATION HAS CREATED AN ENTIRELY NEW CHALLENGE FOR EDA AND IS THE PRIMARY REASON WE NOW SEEK AN EXPANSION OF TITLE IX'S AUTHORIZATION. IN 1977, THE FIRST YEAR OF THE LONG-TERM DETERIORATION PROGRAM, 4.4% OF THE TITLE IX BUDGET WAS DEVOTED TO ASSISTING ECONOMICALLY DETERIORATED AREAS. BY 1978, LONG-TERM ECONOMIC DETERIORATION (LTED) ACCOUNTED FOR 30% OF AVAILABLE TITLE IX FUNDS.

THE EXPERIMENTAL PHASE OF TITLE IX IMPLEMENTATION IS CLEARLY OVER. WE HAVE LEARNED THAT TITLE IX IS A VALUABLE ECONOMIC DEVELOPMENT TOOL IN ITS COMPREHENSIVENESS AND PACKAGING OF PLANNING GRANTS WITH IMPLEMENTATION GRANTS. THE EXPANSION OF TITLE IX RESOURCES IS A NATURAL STEP WHICH WILL COMPLEMENT OTHER STEPS EDA IS NOW TAKING TO IMPROVE OUR PROGRAM DELIVERY SYSTEM. I REFER SPECIFICALLY TO THE CEDS DEMONSTRATION EFFORT WHICH EDA HAS RECENTLY INITIATED TO ENCOURAGE MORE MEANINGFUL LONG-TERM LOCAL INVESTMENT STRATEGIES TO WHICH THE AGENCY CAN RESPOND WITH PACKAGED PROGRAM AID.

LET ME CITE A NUMBER OF SPECIFIC REASONS WHY THE ADMINISTRATION HAS REQUESTED THE EXPANSION OF TITLE IX'S AUTHORIZATION FROM \$100 MILLION TO \$180.5 MILLION FOR FY 1979.

THE FLEXIBILITY OF TITLE IX

OF ALL OF EDA'S PROGRAMS, TITLE IX IS THE MOST FLEXIBLE, AND THUS THE MOST RESPONSIVE TO THE DIVERSE ECONOMIC DEVELOPMENT NEEDS IDENTIFIED BY LOCAL GOVERNMENTS. TITLE IX HAS BEEN REMARKABLY SUCCESSFUL IN RESPONDING TO A VARIETY OF ECONOMIC DEVELOPMENT PROBLEMS, WHETHER THEY ARE CAUSED BY MILITARY BASE CLOSINGS AS IN PRESQUE ISLE, MAINE OR LONG BEACH, CALIFORNIA; THE CLOSING OF A MAJOR INDUSTRY AS IN TAYLOR COUNTY, WEST VIRGINIA; OR THE LONG-TERM DETERIORATION OF THE ECONOMIC BASE OF A MATURE ECONOMY AS IN GARY, INDIANA OR AMERICAN STREET, PHILADELPHIA.

THE EMPHASIS IN TITLE IX, THEN, IS ON A CREATIVE AND FLEXIBLE RESPONSE TO A PARTICULAR PLACE AND ITS PARTICULAR SET OF ECONOMIC PROBLEMS AND NEEDS AS IDENTIFIED BY THE COMMUNITY ITSELF.

ENCOURAGEMENT OF LOCAL PROGRAM COORDINATION

TITLE IX IS EMINENTLY SUITED TO FOSTER ECONOMIC DEVELOPMENT PROGRAM COORDINATION AT THE LOCAL LEVEL. THE COMPREHENSIVE SET OF ACTIVITIES POSSIBLE UNDER THE LEGISLATION CREATES NO PARTICULAR PRESSURE ON A COMMUNITY TO ADOPT A "PUBLIC WORKS" APPROACH OR A "BUSINESS DEVELOPMENT" APPROACH TO ITS ECONOMIC PROBLEMS. RATHER, THE COMMUNITY IS ENCOURAGED TO UNDERTAKE WHAT MIGHT BE CALLED A "ZERO-BASED" REVIEW OF ITS ECONOMIC DEVELOPMENT PROBLEMS, NEEDS, RESOURCES AND AUTHORITIES. FROM THIS REVIEW WILL EMERGE A STRATEGIC APPROACH WHICH CALLS ON THE COMMUNITY TO COORDINATE AVAILABLE PROGRAMS AND RESOURCES TO ACHIEVE ITS ECONOMIC DEVELOPMENT OBJECTIVES.

TITLE IX'S ROLE IN EDA PROGRAM COORDINATION

IN A LIKE MANNER, TITLE IX'S UNIQUE FLEXIBILITY HAS ALREADY HAD THE HEALTHY EFFECT OF FOSTERING PROGRAM COORDINATION WITHIN EDA. AS I HAVE NOTED, EDA'S PAST EXPERIENCE WITH TITLE IX HAS PRIMARILY BEEN IN THE AREA OF SUDDEN AND SEVERE ECONOMIC DISLOCATIONS. IN THESE SITUATIONS, THE IMMEDIACY OF THE ECONOMIC PROBLEM BEING FACED BY A COMMUNITY HAS USUALLY DEMANDED THAT THE

AGENCY TAKE ADVANTAGE OF THE MULTI-PURPOSE FUNDING POSSIBLE UNDER TITLE IX RATHER THAN USING OTHER PROGRAMS (SUCH AS PUBLIC WORKS OR TECHNICAL ASSISTANCE) IN TANDEM WITH TITLE IX ASSISTANCE. THE PARTICULAR NATURE OF SUDDEN ECONOMIC DISLOCATIONS WILL PROBABLY REQUIRE EDA TO CONTINUE IN THE MULTI-PURPOSE MODE, AT LEAST IN MOST CASES.

HOWEVER, THE MORE RECENT APPLICABILITY OF TITLE IX TO LONG-TERM ECONOMIC DETERIORATION HAS GREATLY ACCELERATED THE PACE AT WHICH EDA IS MOVING TOWARD OVERALL PROGRAM COORDINATION AND INTEGRATION IN RESPONSE TO CHRONIC ECONOMIC DISTRESS. THIS MOVEMENT IS NECESSITATED BY THE FACT THAT MANY AREAS NOW ELIGIBLE FOR AND USING TRADITIONAL PROGRAM TOOLS WILL ALSO BE ELIGIBLE FOR TITLE IX RESOURCES UNDER THE LONG-TERM DETERIORATION AUTHORITY.

UNDER THESE CIRCUMSTANCES, COMMON SENSE REQUIRES EDA TO DEFINE CAREFULLY THE USES OF THIS NEW AUTHORITY AND TO ASSURE THAT IT IS USED IN TANDEM WITH OTHER PWEDA RESOURCES. THE GUIDELINES WE ARE DEVELOPING FOR TITLE IX WILL FULLY ACCOMPLISH THIS COORDINATION OBJECTIVE.

TITLE IX'S SUPPORT OF INNOVATION

TITLE IX FUNDS CAN, OF COURSE, BE USED FOR TRADITIONAL EDA ACTIVITIES SUCH AS PUBLIC WORKS AND BUSINESS ASSISTANCE. HOWEVER, AN IMPORTANT REASON FOR EXPANDING TITLE IX IS ITS UNIQUE ABILITY TO SUPPORT INNOVATIVE LOCAL ECONOMIC DEVELOPMENT ACTIVITIES SUCH AS REVOLVING LOAN FUNDS, EMPLOYEE STOCK OWNERSHIP TRUSTS, AND EQUITY FUNDING CORPORATIONS. I SUBMIT TO YOU, LADIES AND GENTLEMEN, THAT THE STATE-OF-THE-ART OF ECONOMIC DEVELOPMENT IS AT SUCH AN EARLY STAGE OF EVOLUTION THAT RIGID FEDERAL REQUIREMENTS AND LACK OF FLEXIBILITY IN OUR MIX OF PROGRAM TOOLS WILL STIFLE THE CREATIVITY THAT IS SO VITALLY NEEDED AT THE LOCAL LEVEL. FRANKLY, I DO NOT THINK WE HAVE BEGUN TO WITNESS ALL THE DIVERSE FINANCING TECHNIQUES, PUBLIC/PRIVATE JOB CREATION EFFORTS, OR METHODS OF RECYCLING LAND, BUILDINGS AND HUMAN RESOURCES THAT OUR STATES, CITIES AND RURAL AREAS WILL DEVELOP OVER THE NEXT DECADE; AN ECONOMIC DEVELOPMENT AUTHORITY AS COMPREHENSIVE AND FLEXIBLE AS TITLE IX IS ABSOLUTELY NECESSARY IN ORDER FOR US TO FACILITATE AND ACCELERATE THIS INNOVATION. WITHOUT THE TITLE IX AUTHORITY, EDA'S ABILITY TO AID OUR CONSTITUENTS IN RESPONDING TO THE MORE AND MORE COMPLEX WORLD OF ECONOMIC DEVELOPMENT WOULD BE LIMITED TO INVESTMENT TOOLS DESIGNED PRIMARILY FOR UNDERDEVELOPED AREAS, WELL OVER A DECADE AGO. WHILE THESE TOOLS -- PLANNING, PUBLIC WORKS, BUSINESS LOANS AND TECHNICAL ASSISTANCE -- ARE STILL THE MAINSTAY OF MUCH LOCAL ECONOMIC DEVELOPMENT ACTIVITY, THEY ARE NO LONGER ADEQUATE BY THEMSELVES TO MEET TODAY'S ECONOMIC DEVELOPMENT CHALLENGE.

THE CONGRESS WISELY FORESAW THIS WHEN IT AUTHORIZED TITLE IX'S USE FOR CHRONIC ECONOMIC DISTRESS IN 1976.

ENHANCEMENT OF ABILITY TO CONCENTRATE RESOURCES

FINALLY, THE LONG-TERM DETERIORATION PART OF TITLE IX IS THE FIRST ECONOMIC DEVELOPMENT TOOL FOCUSED EXCLUSIVELY ON RURAL AND URBAN PLACES WHICH FACE CHRONIC DISTRESS AND DETERIORATION IN ECONOMIC ACTIVITY. EDA'S OTHER PROGRAMS ARE USED IN A BROAD UNIVERSE OF COMMUNITIES WHOSE PROBLEMS INCLUDE HIGH UNEMPLOYMENT, LOW INCOME, PHYSICAL DETERIORATION, AND OUT MIGRATION OF BUSINESS; WHOSE ECONOMIES RANGE FROM HIGHLY UNDERDEVELOPED TO VERY MATURE; AND WHOSE LEVELS OF DISTRESS RANGE FROM SEVERE TO INCIPIENT.

SUPPLEMENTARY ASSISTANCE IS VITALLY NEEDED BY THOSE URBAN AND RURAL PLACES THAT ARE CHRONICALLY DISTRESSED OR ARE IN SERIOUS DECLINE, PLACES THAT IF LEFT ALONE WOULD FURTHER DETERIORATE. WE CANNOT EXPECT TO CREATE A POSITIVE ECONOMIC IMPACT IN DETERIORATED URBAN CENTERS OR HIGHLY DISTRESSED RURAL AREAS WITH INDIVIDUAL PUBLIC WORKS GRANTS ALONE. TO THESE SITUATIONS, TITLE IX BRINGS ADDITIONAL RESOURCES WHICH CAN BE USED ALONE OR IN TANDEM WITH OTHER EDA TOOLS TO STEM THE DOWNWARD SPIRAL OF ECONOMIC DECLINE, PHYSICAL DETERIORATION, AND HUMAN DISTRESS.

ADMINISTRATIVE POLICY DIRECTIONS

IT IS BEST FOR ALL OF US TO ADMIT, HOWEVER, THAT TITLE IX'S VALUABLE FLEXIBILITY MAY CREATE OTHER PROBLEMS. WHILE TITLE IX ENCOMPASSES MANY ACTIVITIES WHICH ARE NOT ELIGIBLE UNDER OTHER EDA PROGRAMS, IT ALSO INCLUDES THOSE ACTIVITIES ALREADY AUTHORIZED UNDER OTHER TITLES OF THE ACT. SOME HAVE VIEWED TITLE IX AS ALL OF PWEDA ROLLED UP IN ONE SECTION.

AS THE ADMINISTRATION REQUESTS MORE FUNDS FOR TITLE IX, ITS FLEXIBILITY NATURALLY RAISES CONCERNS ABOUT FEDERAL ACCOUNTABILITY AND THE POSSIBLE AVOIDANCE OF LEGISLATIVE RESTRICTIONS CONTAINED IN OTHER EDA PROGRAMS.

LET ME REASSURE YOU ON THIS POINT. EDA HAS ABSOLUTELY NO INTENTION OF ESCAPING ACCOUNTABILITY THROUGH ITS REQUEST FOR ADDITIONAL TITLE IX RESOURCES. NOR ARE WE USING TITLE IX AS A METHOD FOR REDUCING RESOURCES AVAILABLE FOR NEEDED PUBLIC INFRASTRUCTURE AND BUSINESS FINANCING. WE TAKE VERY SERIOUSLY THE NEED TO DEFINE FULLY AND CLEARLY OUR ADMINISTRATIVE INTENTIONS VIS-A-VIS TITLE IX. AFTER A THOROUGH REVIEW OF OUR PAST TITLE IX PROGRAM EXPERIENCE AND CURRENT TITLE IX GUIDELINES WE HAVE CONCLUDED THAT A COMPLETE GUIDELINE REVISION IS NEEDED BEFORE THE BEGINNING OF FISCAL YEAR 1979. WORK IS FAR ENOUGH ALONG WITHIN THE AGENCY FOR ME TO PLEDGE TO YOU THAT THE NEW GUIDELINES WILL BE QUITE CLEAR ON POINTS OF PRIMARY CONCERN TO YOU, SUCH AS ELIGIBILITY, PROGRAM OBJECTIVES, AND TITLE IX'S RELATIONSHIP

TO OTHER EDA PROGRAMS. MEMBERS OF THIS COMMITTEE AS WELL AS INTERESTED OUTSIDE ORGANIZATIONS WILL HAVE ADEQUATE OPPORTUNITY TO REVIEW AND MAKE RECOMMENDATIONS ON THE GUIDELINES WHEN THEY ARE PUBLISHED IN PROPOSED FORM.

WE ARE DEVELOPING THE TWO SEPARATE SETS OF TITLE IX GUIDELINES TO REFLECT THE TWO MAJOR PURPOSES OF THE TITLE: ONE, TO DEAL WITH SUDDEN AND SEVERE ECONOMIC DISLOCATIONS, AND TWO, TO HELP AREAS EXPERIENCING LONG-TERM ECONOMIC DETERIORATION. THE VERY DIFFERENT NATURE OF THESE TWO ECONOMIC DEVELOPMENT PROBLEMS MANDATES DIFFERENT ELIGIBILITY STANDARDS, PROGRAM REQUIREMENTS AND MANAGEMENT TECHNIQUES, ALL OF WHICH WILL BE REFLECTED IN GUIDELINES TO BECOME OPERATIONAL IN FY 1979.

SUDDEN AND SEVERE ECONOMIC DISLOCATIONS (SSED)

FOR THE SSED PROGRAM WE HAVE IDENTIFIED BASE LINE ELIGIBILITY CRITERIA TO IDENTIFY WHAT MAGNITUDE OF DISLOCATION MEASURED IN TERMS OF JOBS LOST WOULD CALL FOR EDA ASSISTANCE. THE ABSOLUTE NUMBER OF JOBS LOST WOULD DEPEND ON THE SIZE OF THE PLACE, THE PERCENTAGE OF THE WORK FORCE THAT WOULD BE DISPLACED AND THE RELATIVE ECONOMIC HEALTH OF THE AFFECTED COMMUNITY.

OUR ANALYSIS HAS SHOWN THAT FOR SMALL JURISDICTIONS A DISLOCATION COULD INVOLVE AS FEW AS 500 JOBS LOST OR 2% OF THE WORK FORCE. FOR METROPOLITAN AREAS, A DISLOCATION WOULD INVOLVE .5% OF THE WORK FORCE OR 4,000 JOBS. WE HAVE ALSO PROPOSED A

SPECIAL WAIVER OF THESE CRITERIA FOR UNUSUAL CASES OR FOR DISLOCATIONS THAT RESULT FROM DIRECT FEDERAL ACTION. FOR THESE INSTANCES, HOWEVER, THERE WOULD BE AN ANALYSIS TO DETERMINE THAT AN ADJUSTMENT PROBLEM REALLY EXISTS.

ON OCTOBER 1, 1978, EDA INTENDS TO ESTABLISH A NEW OFFICE OF SPECIAL ECONOMIC ADJUSTMENT ASSISTANCE WHICH WILL CONSIST OF A WASHINGTON STAFF PLUS REGIONAL COUNTERPARTS. THIS OFFICE WILL MANAGE THE PROPOSED ENERGY IMPACT PROGRAM AS WELL AS THE SUDDEN AND SEVERE ECONOMIC DISLOCATION PROGRAM UNDER TITLE IX.

BASED ON THE PROPOSED INCREASE IN THE TITLE IX AUTHORIZATION TO \$180.5 MILLION IN FY 1979, WE HAVE ALLOCATED \$42.5 MILLION TO THE SUDDEN DISLOCATION PROGRAM. THIS BUDGET PROJECTION IS NOT BROKEN DOWN BY REGION BUT WILL BE AVAILABLE ON A NATIONAL BASIS TO RESPOND TO DISLOCATIONS AS THEY EMERGE.

LONG-TERM ECONOMIC DETERIORATION (LTED)

THE LONG-TERM ECONOMIC DETERIORATION PROGRAM WILL BE THE LARGEST COMPONENT OF TITLE IX. WE ARE DEVELOPING GUIDELINES TO REFLECT THE PHILOSOPHY THAT DETERIORATION IS AN AGGRAVATED FORM OF ECONOMIC DISTRESS MANIFESTED IN RURAL AND URBAN AREAS BY CHRONIC UNEMPLOYMENT AND LOW INCOME, BY AN EROSION OF ECONOMIC ACTIVITY, AND BY THE PHYSICAL DETERIORATION OF ECONOMIC INFRASTRUCTURE.

THE LTED PROGRAM WILL BE TARGETTED AT THE SAME KINDS OF PROBLEMS AND THE SAME KINDS OF DISTRESSED PLACES IDENTIFIED IN THE PRESIDENT'S URBAN POLICY MESSAGE, THAT IS, THOSE URBAN AND RURAL PLACES WHICH SUFFER THE SYMPTOMS OF DISTRESS OVER TIME AND LACK THE CAPACITY TO LEVERAGE NEW INVESTMENT AND NEW ECONOMIC ACTIVITY WITHOUT FEDERAL ASSISTANCE.

THE PRESIDENT HAS REQUESTED THAT, TO THE EXTENT POSSIBLE, TITLE IX BE USED IN COORDINATION WITH OTHER COMPONENTS OF THE PRESIDENT'S PACKAGE -- THE DEVELOPMENT BANK, THE DIFFERENTIAL INVESTMENT TAX CREDITS, ETC. FOR THIS REASON, I HAVE ASKED MY STAFF TO EXPLORE THE FEASIBILITY OF DEVELOPING ELIGIBILITY CRITERIA FOR THE LTED PROGRAM THAT WOULD CLOSELY CONFORM TO THOSE ESTABLISHED BY THE NATIONAL DEVELOPMENT BANK (NDB). AS YOU MAY KNOW, AN AREA WOULD HAVE TO MEET THREE OF THE FOUR FOLLOWING CRITERIA FOR THE MOST RECENT FIVE-YEAR PERIOD IN ORDER TO BE ELIGIBLE FOR BANK ASSISTANCE:

1. AN UNEMPLOYMENT RATE ABOVE THE NATIONAL AVERAGE.
2. A GROWTH RATE IN TOTAL EMPLOYMENT BELOW THE NATIONAL AVERAGE.
3. A GROWTH RATE IN POPULATION BELOW THE NATIONAL AVERAGE.
4. AN ABSOLUTE DOLLAR INCREASE IN PER CAPITA INCOME.

THE NDB FORMULA APPEARS TO IDENTIFY, BETTER THAN MOST EXISTING FORMULAS, THOSE URBAN AND RURAL AREAS EXPERIENCING CHRONIC ECONOMIC DISTRESS. SOME 10,000 RURAL AREAS AND ANOTHER 1,800 URBAN AREAS WOULD BE ELIGIBLE FOR ASSISTANCE UNDER THE FORMULA.

HOWEVER, THIS IS ONLY ONE OF A NUMBER OF ELIGIBILITY ALTERNATIVES WE ARE CONSIDERING FOR THE LTED PROGRAM. OUR OBJECTIVE IS FOR ALL OF THE NATION'S URBAN AND RURAL CHRONICALLY DISTRESSED AND DETERIORATING AREAS -- BASED ON OUR AGENCY'S EXPERIENCE -- TO BE ELIGIBLE FOR TITLE IX LTED ASSISTANCE. THIS IS THE PRINCIPAL WE INTEND TO INCORPORATE IN OUR TITLE IX GUIDELINES AFTER ALL OPTIONS HAVE BEEN THOROUGHLY CONSIDERED.

EDA'S LTED GUIDELINES WILL INCLUDE PROVISION FOR "POCKETS OF DETERIORATION" OF A CERTAIN MAGNITUDE THAT OCCUR WITHIN OTHERWISE HEALTHY JURISDICTIONS, ALTHOUGH THERE WILL BE A CAP ON THE AMOUNT OF FUNDS THAT CAN BE USED FOR POCKETS.

EDA WILL PROPOSE GUIDELINES THAT ENCOURAGE LTED FUNDS TO BE TARGETTED FIRST TOWARD THOSE PARTICULAR PLACES WITHIN ELIGIBLE JURISDICTIONS WHICH EXHIBIT GREAT NEED -- THE VACANT AND/OR RUNDOWN INDUSTRIAL NEIGHBORHOODS OF OLDER CITIES, DECLINING COMMERCIAL CORRIDORS, OR PLACES CONTIGUOUS TO RURAL AND URBAN POPULATIONS IN DISTRESS. WHILE THE GUIDELINES WILL REFLECT A BIAS AGAINST THE "TRICKLE DOWN" THEORY OF ECONOMIC BENEFIT, LTED FUNDS WILL NEVERTHELESS BE AVAILBLE FOR BROADER, LESS

TARGETTED ECONOMIC DEVELOPMENT ACTIVITIES IN JURISDICTIONS WHERE THE DISTINCTION BETWEEN DETERIORATED AND NON-DETERIORATED AREAS IS INAPPROPRIATE OR WHERE THE INVESTMENT STRATEGY PROVIDES SOUND ECONOMIC ARGUMENTS FOR AN ALTERNATIVE APPROACH.

IN FY 1979 WE PROPOSE TO ALLOCATE \$136.75 MILLION TO THE LONG-TERM DETERIORATION COMPONENT OF TITLE IX. WE INTEND TO ALLOCATE THESE FUNDS ON A REGIONAL BASIS SO THAT TITLE IX CAN BE USED IN CONJUNCTION WITH OUR REGULAR PROGRAM FUNDS TO IMPLEMENT THE INVESTMENT STRATEGIES OF ELIGIBLE PLACES.

REVOLVING LOAN FUNDS

LET ME END MY TITLE IX TESTIMONY WITH A CLARIFICATION OF EDA'S POLICY INTENT REGARDING THE ISSUE OF REVOLVING LOAN FUNDS.

AS YOU KNOW, EDA HAS REQUESTED THAT THE SECTION 204 REVOLVING LOAN PROGRAM BE TRANSFERRED TO AND ADMINISTERED AS A GRANT PROGRAM UNDER TITLE IX. THE AGENCY HAS COMMITTED ITSELF TO THE EXPENDITURE OF AT LEAST \$15 MILLION ANNUALLY IN FY 1978 AND FY 1979 ON REVOLVING LOAN FUNDS ADMINISTERED UNDER SECTION 204-TYPE POLICIES. THE REPROGRAMMING OF \$15 MILLION IN FY 1978 HAS ALREADY BEEN APPROVED.

THE PRIMARY REASON FOR OUR TRANSFER REQUEST WAS THE INABILITY OF MANY LOCAL GOVERNMENTS TO TAKE ADVANTAGE OF THE SECTION 204 ASSISTANCE OFFERED THROUGH THE MECHANISM OF LONG-TERM, INTEREST-FREE LOANS. BY ADMINISTERING THE 204 PROGRAM THROUGH TITLE IX,

AID CAN BE PROVIDED THROUGH GRANTS, THEREBY AVOIDING THE DEBT LIMITATION PROBLEMS OF MANY COMMUNITIES. ADMINISTERING REVOLVING FUNDS THROUGH TITLE IX ALSO WILL AVOID THE DUPLICATION OF AUTHORITIES THAT WOULD RESULT IF A SEPARATE REVOLVING FUND PROGRAM WERE ESTABLISHED.

EDA'S POLICY WILL BE TO SUPPORT LOCAL REVOLVING LOAN FUNDS TO THE EXTENT THEY ARE IDENTIFIED AS HIGH PRIORITY PROJECTS IN APPROVED LOCAL INVESTMENT STRATEGIES. IF THIS CALLS FOR SPENDING MORE THAN \$15 MILLION ON REVOLVING LOAN FUNDS IN FY 1979, EDA WILL DO SO. BY TAKING THIS APPROACH, WE CAN ASSURE THAT LOCAL NEEDS AND LOCAL STRATEGIES DEFINE THE TYPES OF ASSISTANCE SOUGHT FROM AND PROVIDED BY EDA.

EDA'S INTENTION, THEN, WILL BE TO MAKE THE REVOLVING LOAN FUND TOOL AVAILABLE AS PART OF THE LTED PROGRAM. THE AGENCY WILL USE THE GENERAL POLICIES ESTABLISHED IN SECTION 204 OF THE LEGISLATION TO GOVERN MOST REVOLVING FUND ACTIVITY. IN EXCEPTIONAL CASES, EDA MAY SUPPORT REVOLVING FUNDS FOR PURPOSES NOT ENVISIONED IN SECTION 204 IF THEY ARE PART OF A CLEARLY ARTICULATED PLAN FOR RESPONDING TO PROBLEMS OF LTED.

EDA GUIDELINES FOR LOCAL REVOLVING LOAN FUNDS WILL REFLECT THE PHILOSOPHY THAT COMMUNITIES NEED EXTENSIVE LATITUDE IN DEFINING THE BEST LOCAL USE OF THIS ECONOMIC DEVELOPMENT TOOL. TO THE EXTENT FEASIBLE AND APPROPRIATE, EDA WILL ACCEPT LOCAL ASSURANCES THAT STANDARD PWEDA REQUIREMENTS ARE BEING MET IN THE USE OF LOANED AND RELOANED FUNDS ESTABLISHED BY A TITLE IX GRANT. A COMMUNITY'S GENERAL PURPOSE IN ESTABLISHING A REVOLVING LOAN FUND WOULD, LIKE THE USE OF OTHER RESOURCES UNDER THE LTED PROGRAM, HAVE TO BE DEFINED AS A PRIORITY ELEMENT IN ITS OVERALL ECONOMIC DEVELOPMENT STRATEGY.

THERE IS CONSIDERABLE LOCAL INTEREST IN REVOLVING LOANS FUNDS, AND A WELL-DEFINED REVOLVING LOAN FUND PROGRAM WILL, I BELIEVE, BE AN INCREASINGLY IMPORTANT TOOL WITH WHICH LOCAL COMMUNITIES CAN ADDRESS THEIR ECONOMIC PROBLEMS.

WE IN EDA DO NOT VIEW TITLE IX AS AN INDEPENDENT PROGRAM SEPARATE AND UNRELATED TO OUR BASIC EDA AUTHORITIES. RATHER, WE CONSIDER TITLE IX TO BE AN INTEGRAL PART OF THE OVERALL EDA EFFORT, AND WE WILL ADMINISTER IT SO.

COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY (CEDs)

LET ME NOW DIRECT MY ATTENTION TO A CRITICALLY IMPORTANT EDA DEMONSTRATION EFFORT ANNOUNCED IN APRIL OF THIS YEAR WHICH WE CALL THE COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY OR CEDs. CEDs IS AN OUTGROWTH OF OUR CONCERN FOR HELPING COMMUNITIES OBTAIN EDA AND OTHER FEDERAL SUPPORT FOR THEIR LONG-TERM DEVELOPMENT PLANS, WHILE OF COURSE CONTINUING TO PROVIDE FOR TARGETS OF OPPORTUNITY AND SOUND INDIVIDUAL PROJECT DEVELOPMENT. IN ADDITION, CEDs IS DESIGNED TO HELP LOCAL COMMUNITIES MEET THEIR OWN NEED FOR A REALISTIC POLICY FRAMEWORK (OR GUIDE) FOR LOCAL INVESTMENTS AND OTHER ACTIONS THAT AFFECT THE LOCAL ECONOMY.

THE CONGRESS RECOGNIZED THIS NEED DURING ENACTMENT OF THE PUBLIC WORKS AND ECONOMIC DEVELOPMENT ACT OF 1965 BY REQUIRING THAT COMPETENT ECONOMIC DEVELOPMENT PLANNING IN THE FORM OF OVERALL ECONOMIC DEVELOPMENT PROGRAMS PRECEED AND SERVE AS THE BASIS FOR PROJECT INVESTMENT.

UNFORTUNATELY, OEDP'S DO NOT ALWAYS FUNCTION AS REALISTIC ECONOMIC DEVELOPMENT STRATEGIES UPON WHICH PROJECT INVESTMENTS BY EDA, OTHER FEDERAL AGENCIES, AND THE PRIVATE SECTOR CAN BE BASED. WE OFTEN ENCOUNTER OEDP'S THAT DESCRIBE AT SOME LENGTH THE ECONOMIC PROBLEMS OF THE COMMUNITY OR AREA, BUT PROVIDE LITTLE OR NO ANALYSIS OF WHAT LOCAL OFFICIALS ESTIMATE TO BE THEIR REALISTIC ECONOMIC FUTURE AND, MOST IMPORTANTLY, HOW THEY PLAN TO ARRIVE AT THAT FUTURE. THIS STRATEGY ELEMENT OF THE OEDP IS OFTEN NO

MORE THAN A LIST OF SPECIFIC PROJECTS TO BE UNDERTAKEN, WITH LITTLE EXPLANATION OF HOW THESE PROJECTS RELATE EITHER TO EACH OTHER OR TO THE ANALYSIS OF ECONOMIC PROBLEMS SPELLED OUT ELSEWHERE IN THE OEDP.

WE BELIEVE THAT THE TIME AND ENERGY AND RESOURCES OF OUR LOCAL GOVERNMENTS AND ECONOMIC DEVELOPMENT DISTRICTS ARE TOO VALUABLE TO BE WASTED ON PAPER PLANNING EXERCISES THAT DO NOT RESULT IN CLEAR ECONOMIC DEVELOPMENT POLICIES AND REALISTIC PRIORITIES.

IT IS TRUE THAT THE NATURE OF OEDP DOCUMENTS AND PROCESSES AROUND THE NATION OFTEN REPRESENT SUBSTANTIAL PROGRESS FROM THE POINT WHERE A COMMUNITY FIRST RECOGNIZED THE NEED TO UNDERTAKE ECONOMIC DEVELOPMENT PLANNING AND PROGRAMMING. MOREOVER, EDA'S REQUIREMENTS AND ASSISTANCE HAVE HELPED MANY COMMUNITIES AND AREAS TO ESTABLISH AND MAINTAIN VERY IMPRESSIVE ECONOMIC DEVELOPMENT RECORDS.

THE AGENCY IS CONVINCED, HOWEVER, THAT COMMUNITIES REALIZE THAT SUCCESSFUL ECONOMIC DEVELOPMENT IS A LONG-TERM PROPOSITION, AND CANNOT BE ACHIEVED THROUGH RANDOM, UNCOORDINATED FEDERAL PROJECTS. IT IS CRITICALLY IMPORTANT FOR LOCAL GOVERNMENTS TO GAIN A GREATER MEASURE OF CONTROL OVER THE TYPES OF INVESTMENTS MADE IN THEIR COMMUNITIES, AS WELL AS THE MANNER IN WHICH SUCH INVESTMENTS ARE COORDINATED WITH EACH OTHER AND WITH OTHER ECONOMIC DEVELOPMENT ACTIONS IN THE AREA. THE EXISTENCE OF

COORDINATED AND COMPREHENSIVE LOCAL INVESTMENT STRATEGIES IS, MOREOVER, A NECESSARY RESPONSE TO TODAY'S PLETHORA OF FEDERAL AND STATE PROGRAMS THAT AFFECT VARYING ASPECTS OF LOCAL DEVELOPMENT BUT OPERATE WITHOUT OVERALL, CONSISTENT DEVELOPMENT POLICIES.

THESE ARE SOME OF THE PRIMARY CONCEPTS WHICH LED EDA TO CHOSE 37 URBAN AND RURAL PILOT AREAS FOR THE CEDS DEMONSTRATION. AN EQUALLY IMPORTANT AREA WHICH THE CEDS DEMONSTRATION WILL TEST IS HOW EDA CAN BE MORE RESPONSIVE TO COMMUNITY ASSISTANCE REQUESTS THROUGH THE PACKAGING OF AGENCY RESOURCES.

THE FACT THAT EDA ITSELF HAS BEEN ORGANIZED ALONG PROGRAM TOOL LINES HAS LIMITED THE DEGREE OF INTERNAL AGENCY TEAMWORK IN RESPONDING TO COMMUNITY NEEDS, AND HAS CERTAINLY NOT ENCOURAGED COORDINATED, POLICY-CONSISTENT COMMUNITY AID REQUESTS FROM YEAR TO YEAR. IN PARTICULAR, THE TRADITIONALLY LIMITED CONTACT AND COORDINATION BETWEEN EDA'S TWO PRIMARY ORGANIZATIONAL DIVISIONS -- PLANNING AND OPERATIONS (OR "HARDWARE") -- HAS OFTEN CREATED A LACK OF CONSISTENCY BETWEEN AGENCY FUNDED PLANNING ACTIVITY IN A COMMUNITY AND SUBSEQUENT HARDWARE INVESTMENTS.

THE CEDS DEMONSTRATION WILL TEST AN EDA "PLACE" APPROACH WHOSE RESULT WILL BE THE PACKAGING OF EDA PROGRAM TOOLS TO MEET THE COMPREHENSIVE ECONOMIC DEVELOPMENT NEEDS OF BOTH RURAL AND URBAN AREAS. IN APPROPRIATE CASES, AND WITHIN OBVIOUS LEGAL LIMITATIONS, PROGRAM PACKAGING WILL BE COMBINED WITH ADVANCE FUNDING COMMITMENTS AND UNDERSTANDINGS TO HELP COMMUNITIES FOCUS

THEIR ENERGIES ON STRATEGIC, LONG-TERM SOLUTIONS TO LOCAL ECONOMIC PROBLEMS. THROUGH CEDS, A LOCAL AREA CAN DEFINE ITS NEEDS ON A CONTINUING BASIS AND EDA CAN PACKAGE ITS ASSISTANCE FOR THOSE NEEDS.

LET ME EMPHASIZE A FEW POINTS ABOUT THE CEDS DEMONSTRATION THAT MAY NOT BE WELL UNDERSTOOD.

FIRST, CEDS IS NOT ANOTHER PLANNING EXERCISE THAT WILL PRODUCE MOUNDS OF NEW PAPERWORK REQUIREMENTS. ON THE CONTRARY, AN INVESTMENT STRATEGY IS ENVISIONED AS A SHORT DOCUMENT WHICH REFERENCES EXISTING PLANNING WORK ALREADY DONE BY AN AREA.

SECOND, THE CEDS DEMONSTRATION IS JUST THAT: A DEMONSTRATION. IT IS NOT A NEW "PROGRAM" IN THE SENSE THAT IT WILL OPERATE SEPARATELY FROM OTHER EDA PROGRAMS. IT IS EDA'S ATTEMPT TO TEST A NUMBER OF IDEAS ABOUT ECONOMIC DEVELOPMENT PLANNING AND PROGRAM DELIVERY WHICH MAY REPRESENT IMPROVEMENTS OVER CURRENT EDA REQUIREMENTS AND OPERATING PROCEDURES. IF OUR EVALUATION OF THE DEMONSTRATION PROVES THAT THESE IDEAS ARE WORKABLE, OUR NEXT STEP WILL BE TO REVISE OUR OEDP REQUIREMENTS AND OTHER WAYS OF PROGRAM OPERATION TO EXTEND THESE IMPROVEMENTS ACROSS-THE-BOARD.

FINALLY, THE CEDS EMPHASIS ON LONG-TERM INVESTMENT STRATEGIES DOES NOT MEAN THAT EDA WILL NOT BE ABLE TO RESPOND QUICKLY AND EFFECTIVELY TO TARGETS OF OPPORTUNITY AND INDIVIDUAL PROJECT NEEDS.

ABOVE ALL, EDA SEES ITSELF AS AN "ECONOMIC DEVELOPER," WITH THE NEED TO REMAIN FLEXIBLE AND RESPONSIVE TO WIDELY DIFFERENT LOCAL NEEDS.

ALL 37 DEMONSTRATION AREAS HAVE BEEN CONTACTED THROUGH A SERIES OF MEETINGS WITH EDA'S REGIONAL OFFICE STAFF AND WASHINGTON CEDS STAFF. IN MOST AREAS, A NUMBER OF FOLLOW-UP SESSIONS HAVE BEEN HELD TO WORK WITH LOCAL OFFICIALS IN DEVISING THE MOST FEASIBLE APPROACH TO DEVELOPING THEIR OWN INVESTMENT STRATEGY.

MOST CEDS AREAS HAVE BEEN ENTHUSIASTIC ABOUT THE OBJECTIVES OF THE DEMONSTRATION AND THEIR PARTICIPATION IN IT. BOTH AGENCY STAFF AND COMMUNITIES ARE RECOGNIZING THE LIMITED VALUE OF AD HOC DECISIONMAKING, OF SUBSTANTIAL INVESTMENTS MADE WITH ONLY PASSING REFERENCE TO LONG-TERM STRATEGIES. OUR RESPONSE FROM MOST COMMUNITIES SUGGESTS THAT THEY RECOGNIZE THE VALUE OF THE INVESTMENT STRATEGY PROCESS IN PROVIDING AN EFFECTIVE GUIDE NOT ONLY FOR THEIR OWN DEVELOPMENT ACTIONS, BUT ALSO FOR THOSE OF THE PRIVATE SECTOR AND OTHER FEDERAL AND STATE AGENCIES.

THE DEVELOPMENT OF INVESTMENT STRATEGIES IS PROCEEDING AT DIFFERENT PACES FROM PLACE TO PLACE, DEPENDING LARGELY ON THE EXISTING CAPACITY AND ECONOMIC DEVELOPMENT EXPERIENCE OF THE AREA. THIS WAS EXPECTED IN THAT THE AGENCY SELECTED A REPRESENTATIVE RANGE OF PLACES WITH DIFFERING CAPACITIES AND DEGREES OF DISTRESS. WE ESTIMATE THAT CLOSE TO ONE-HALF OF THE 37 DEMONSTRATION AREAS WILL DEVELOP INVESTMENT STRATEGIES BY THE END OF THE FISCAL YEAR. THE REST ARE EXPECTED TO COMPLETE THEIRS DURING FY 1979.

THAT COMPLETES MY TESTIMONY, MR. CHAIRMAN. I WOULD BE GLAD TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE.

QUESTION FOR MR. HALL

Is the measure of sudden and severe economic dislocations in Title IX the same as used in the "sudden rise" criteria of Title IV? If it is a less stringent measure, why? On what basis has the agency determined that a dislocation of 0.5% of the work force in an urban area is severe enough to warrant federal assistance? Are there any other factors to be considered in assessing the ability of an area to absorb the loss?

7. For the Sudden and Severe Economic Dislocation (SSED) Program, minimum impact thresholds have been developed for job loss dislocations. These thresholds differ from the "sudden rise" eligibility criteria under Title IV of PWEDA. The Title IX minimum impact thresholds are as follows:

	For areas not in Standard Metropolitan Statistical Areas	For areas within Standard Metropolitan Statistical Areas
If the unemployment rate of the applicable Labor Market Area or SMSA exceeds the national average:	The dislocation must amount to 2% of the employed population or 500 direct jobs.	The dislocation must amount to 0.5% of the employed population or 4,000 direct jobs.
If the unemployment rate of the applicable Labor Market Area or SMSA is equal to or less than the national average:	The dislocation must amount to 4% of the employed population or 1000 direct jobs.	The dislocation must amount to 1% of the employed population or 8000 jobs.

It should be emphasized that these are only minimum impact thresholds. Surpassing the threshold does not confer eligibility on an area, as is the case under Title IV. These are merely the minimum criteria for consideration. Many other factors are considered, including the following:

1. the number of jobs lost;
2. the percentage increase in unemployment in the impacted area attributable to the dislocation;
3. the characteristics of the affected work force (i.e., age, skill categories, etc., which would have bearing on their ability to obtain other work);
4. the composition and status of the local and area economy and the composition of the area work force;
5. the probable magnitude of the secondary and tertiary impacts on the area;
6. the national implications of the proposed

(7. continued)

- project for saving a large number of jobs nationwide. (Demonstration of the viability of a new technology, for example, could help prevent the threatened loss of a large number of jobs nationwide).
7. the demonstrated capacity of the applicant to administer the proposed project effectively;
 8. the extent to which community support is mobilized behind the adjustment effort;
 9. the degree to which the adjustment plan is anticipatory and innovative in meeting the adjustment needs identified;
 10. the extent to which program funds will leverage private investment;
 11. the amount of funding from other sources, both public and private, and the unavailability of funding from other sources for the activities for which program funds are requested;
 12. the extent to which program funds will act as a catalyst to bring forth cooperative efforts;
 13. the extent to which the requested assistance will have impacts that go beyond the direct benefits of the assistance;
 14. the degree to which the dislocation may cause or exacerbate chronic economic problems in the area; and
 15. the extent to which the requested assistance appears to fulfill the purposes of the Act (see Section IIA, items a-c).

8. In previous testimony, you indicated that \$22 million was spent in 1977 for long term deterioration and \$53 is proposed to be spent in 1978. As no regulations were available for much of this time, can you tell the Committee what criteria you used to approve these projects?

(b) How many applications included more than the traditional public works and business loan activities?

(c) Would you provide the Committee with a list of the places receiving these funds and the activities funded?

8. (a) The \$53 million proposed to be spent in FY 1978 for LTED included an anticipated \$16,350,000 in supplemental appropriation. Eleven million of the anticipated \$16,350,000 was not appropriated. Thus, approximately \$42 million is proposed to be spent in FY 1978 for LTED.

The Title IX LTED projects funded in FY 1977 and 1978 are part of a demonstration effort designed to help us determine how to most effectively administer the LTED provision of Title IX.

The problem was defined as long-term deterioration in the local economic base that continues to contribute to the outmigration of economic activity. The causes for this type of economic problem generally include a combination of the following factors:

- widespread obsolescence of existing plant capacity and a lack of capital reinvestment in the area (capital disinvestment);
- enforcement of NEPA and OSHA requirements that cause a number of economic activities to close or relocate;
- a continuing shift in consumption patterns resulting in a decline in demand for a major component of an area's economic base; and
- inadequacy of an area's support facilities relative to the changing requirements of its major economic activities.

Each area selected so clearly exhibited economic deterioration that it would qualify no matter what criteria were ultimately decided upon.

(b) All of the LTED implementation grants involved a variety of related activities. For example, the Paterson, New Jersey, project includes construction, land acquisition, technical assistance and relocation activities.

8(c)

TITLE IX LTED PROJECTS FY 1977 and FY 1978

<u>Applicant</u>	<u>EDA \$</u>	<u>Activities</u>
<u>FY 1977</u>		
Philadelphia, Pennsylvania	\$12,465,000	Rejuvenate American Street Industrial Corridor.
Paterson, New Jersey	3,384,750	Revitalize Great Falls National Historic District and link it with the Central Business District.
Gary, Indiana	6,600,000	Revitalize and clean up downtown; reopen vacant Holiday Inn as a hotel/office/apartment complex.
TOTAL FY 1977	<u>\$22,449,750</u>	
<u>FY 1978</u>		
Pittsburgh, Pennsylvania	\$ 250,000	Support and develop economic adjustment and development capacity; develop a strategy
Buffalo, New York	250,000	Support and develop economic adjustment and development capacity; develop a strategy
Chicago, Illinois	7,000,000	Land acquisition and write-down program to provide land for development; revolving loan fund to assist firms locating in these areas.
State of Oklahoma	150,000	Develop a strategy to counteract long-term decline in six county area.
Denver (Colorado) Community Development Corporation	10,000	Feasibility study for industrial park.

<u>Applicant</u>	<u>EDA \$</u>	<u>Activities</u>
Oakland, California	\$ 250,000	Support and develop economic adjustment and development strategy; prepare a strategy.
State of Connecticut	3,750,000	Support and develop regional economic adjustment capacity; renovate the Chase Grass Building in Waterbury; prepare a strategy.
Paterson, New Jersey	7,727,000	Addition to FY 1977 grant.
State of New Jersey	3,481,000	Supplement State Revolving Loan Guarantee Fund for business in LTED areas.
Williamsburg County, South Carolina	310,000	Construct water and sewer facilities at county-owned industrial park; expand capacity of Santee Production and Marketing Co-op.
Butte/Silver Bow (Montana) Community Development Corp.	122,000	Prepare an economic adjustment strategy to counteract long term decline in mining activity.
Denver (Colorado) Community Development Corporation	780,000	Preliminary site improvements for an industrial park.
Kansas City (Missouri) Black Economic Union	130,000	Seed money for community credit union; land acquisition;
	20,000	feasibility study for day care center;
	1,120,000	Renovate Lincoln Building.
Mississippi Delta CDC	1,000,000	Create revolving loan fund.
ICBIF, Wayne County, Michigan	1,000,000	Create revolving loan fund.

<u>Applicant</u>	<u>EDA \$</u>	<u>Activities</u>
Pittsburgh, Pennsylvania	\$ 1,625,000	Create revolving loan fund.
State of Massachusetts	2,000,000	Create revolving loan fund.
Mohawk Valley EDD, New York	720,000	Create revolving loan fund.
Rutland, Vermont	720,000	Create revolving loan fund.
South Delta EDD, Mississippi	720,000	Create revolving loan fund.
Neuse River EDD, North Carolina	720,000	Create revolving loan fund.
South Central EDD, Kansas	720,000	Create revolving loan fund.
Scioto County, Ohio	740,000	Create revolving loan fund.
Coos-Curry EDD, Oregon	720,000	Create revolving loan fund.
Long Beach, California	1,625,000	Create revolving loan fund.
Portland, Oregon	1,625,000	Create revolving loan fund.
San Antonio, Texas	1,625,000	Create revolving loan fund.
N. W. Arkansas EDD	720,000	Create revolving loan fund.
Lower Rio Grande EDD, Texas	720,000	Create revolving loan fund.
TOTAL FY 1978	<u>\$42,350,000</u>	

9. You indicate that the criteria for the selection of long-term deterioration areas will conform to the criteria proposed in the National Development Bank legislation. Why? (a) Were no other criteria, such as low per capita income, considered? (b) You state the agency will use "interim eligibility criteria" until final Bank criteria is established. I assume you are referring to the criteria outlined in your statement?

Over the past thirteen years, EDA has delivered economic development assistance to a variety of distressed places to combat diverse economic development problems. From an analysis of our experience, we concluded that deterioration was an aggravated form of economic distress characterized by chronic unemployment and low income, by an erosion of economic activity, and by the physical deterioration of economic infrastructure.

EDA has not yet reached a final decision on the factors that best reflect this definition of long-term economic deterioration. We believe that the NDB criteria identify better than most existing formulas those urban and rural areas experiencing chronic economic distress but we are considering other alternative formulas as well. Our goal is to develop criteria that will permit Title IX to be coordinated with the national development bank and other components of the President's program as well as to include all of the nation's chronically distressed and deteriorated rural and urban areas as determined by our agency's experience.

10. With such limited funding available for Title IX, why have you not chosen criteria which would focus the program more carefully? In your statement you indicate that some 10,000 rural areas and 1,800 urban areas will qualify. How many of these areas are already eligible for EDA assistance? What do you mean by an "area"--a county, town, districts, SMSA, or central city?

Title IX will address two types of problems: sudden and severe economic dislocation and long-term economic deterioration. Eligibility criteria to qualify areas for both programs are now being established by EDA. The threshold criteria for sudden and severe economic dislocation assistance will deal with the timing and severity of actual or threatened job loss. The threshold criteria for the long-term economic deterioration program will target funds on those urban and rural places which suffer the symptoms of distress over time and lack the capacity to leverage new investment and new economic activity without Federal assistance. EDA is developing criteria in addition to the eligibility criteria that will target EDA's investment decisions even further.

Some 10,000 rural and 1,800 urban areas would be eligible for National Development Bank Assistance. In the NDB legislation these areas are units of local government.

The term "area" has a broader meaning for EDA and refers to a designated redevelopment area that may be a county, labor market area, municipality of 25,000 or more, special impact community or neighborhood, or other special area.

EDA has not yet had a chance to study thoroughly the NDB eligible lists and to compare those municipalities with EDA eligible units of local government.

11. The Lazar Study recommends that Title IX be amended to permit direct loans. As pointed out in the evaluation, through the existing program, some otherwise healthy communities may receive a windfall due to a onetime adjustment situation. What do you think of the study's recommendation?

Instead of transforming a program's basic structure, we believe it is preferable to prevent possible misuse of a program by establishing sound grant approval and monitoring principles and procedures.

EDA is developing guidelines for the sudden and severe economic dislocation program and for the Title IX revolving loan programs. Our threshold criteria for sudden and severe dislocation assistance will depend upon the correlation between the level of actual or threatened job loss, the community's existing unemployment level, and the size of the community. We will not be aiding communities marginally affected by job loss. EDA is also developing revolving loan fund guidelines that will establish the ground rules for approving revolving loan programs and set the standards that these programs must meet.

Our evaluation of a sudden and severe economic adjustment strategy will tell us whether a revolving loan program is appropriate to the adjustment problem. Through our examination of the reuse plan for the revolving loan funds, we will be able to determine whether the loan program meets genuine economic development needs of a continuing nature. The program guidelines we are establishing will, we believe, prevent the possibility that relatively healthy areas will get a "windfall" rather than use revolving loan funds to attend to their real economic development problems or opportunities.

12. The eligibility criteria you outlined, among other things, suggests that Title IX long-term economic deterioration program, is first and foremost, an urban program. The fact that the President proposed an addition \$275 million for Title IX in his Urban Policy Message reinforces that perception.
- (a) What is economic development in the cities? Which "urban problems" will this program attempt to address?
 - (b) What kind of revitalization do you expect to bring to the cities? What are the indices of improvement you will try to influence (employment, income, population)?
 - (c) Is it your aim to reverse these indicators, or should we adopt a more modest objective and help cities adjust to the current situation?
 - (d) How do we know what will work in the cities?

The Title IX long-term economic deterioration program is not solely an urban program. EDA estimates that LTED funds will be split 64 percent to urban areas and 36 percent of rural areas.

The requested increase of \$275 million in Title IX funds is earmarked to be used solely in conjunction with the National Development Bank. These grants will be available for NDB projects in both urban and rural areas. It is not possible to predict how these grants will be distributed among rural and urban projects for it will depend upon the volume of projects generated in urban and rural places and their particular financing needs.

Economic development is the planned investment of public resources to attract private investment to distressed areas in order to create and sustain permanent private sector jobs and strengthen local economies. The Title IX long-term economic deterioration program will address in cities and rural places chronic economic development problems due to such factors as population and business outmigration, persistent, high levels of unemployment and underemployment, and low per capita income. Indices of improvement include the diversification of a locality's economy, stabilization and/or growth in jobs, increase in per capita income, stabilization and/or growth in the business property tax base, and population growth or stabilization.

12.(continued)

Federal economic development programs must be responsive to local conditions. No two cities are exactly alike. An economic development strategy that aims at holding the line against further deterioration may be the most appropriate for one city. For another, a strategy aimed at economic growth may be fitting. EDA does not force cities to meet one strategy mold; we support strategies that are appropriate to the localities and which are consistent with the purposes and requirements of our legislation.

EDA's experience over the last thirteen years has given us insight into the kinds of local organization, policies, and programs for economic development that can work in cities. There is still a lot to learn. Clearly we have not witnessed all the diverse financing techniques, public/private sector job creation efforts, and methods of recycling land and buildings and developing human resources that are possible. Title IX is a uniquely flexible economic development tool that will permit local innovation to flourish.

QUESTION FOR MR. HALL

13) You stress "flexibility" as a beneficial characteristic of Title IX which will let the agency "respond to needs identified by the applicants themselves". This could be interpreted as inviting proposals for just about anything a community decides it wants to do. What, then, justifies a national program?

(a) By what criteria will you judge the effectiveness of these proposals? ^{How} ~~What~~ will you decide, given limited resources, which projects to approve? Please be specific.

13. A prerequisite for Title IX Implementation Grant assistance is an economic adjustment plan approved by EDA. The plan must carefully define the adjustment problem and present, in detail, the activities to be undertaken to solve the problem. The "flexibility" of Title IX enables a community to tailor its adjustment plan specifically to meet its needs. Each activity, however, must be shown to directly contribute to the solution of the adjustment problem. All Title IX LTED investments are made within the framework of a national program policy designed to most effectively address the problem of economic deterioration in as many areas as is possible with available funds.

(a). The economic adjustment plan submitted by a community must clearly define goals and detail how each of the activities to be funded will achieve these goals. The adjustment plan also will describe alternative activities that were considered and explain why the activities selected are the most cost-effective means of addressing the deterioration problem.

Projects will be approved based primarily on the severity of the deterioration problem and the effectiveness of adjustment plan. More specifically, the following factors are considered:

1. the demonstrated capacity of the applicant to administer the proposed project effectively;
2. the extent to which community support is mobilized behind the adjustment effort;

3. the degree to which the adjustment plan is anticipatory and innovative in meeting the adjustment needs identified;
4. the extent to which program funds will leverage private investment;
5. the amount of funding from other sources, both public and private, and the unavailability of funding from other sources for the activities for which program funds are requested;
6. the extent to which program funds will act as a catalyst to bring forth cooperative efforts;
7. the extent to which the requested assistance will have impacts that go beyond the direct benefits of the assistance;
8. the degree to which the dislocation may cause or exacerbate chronic economic problems in the area;
and
9. the extent to which the requested assistance appears to fulfill the purposes of the Act.

14) I would like to examine carefully the four principal justifications you have made for the Title IX expansion. They are, briefly:

- 1) its encouragement of local program coordination
- 2) its fostering of EDA program coordination
- 3) its support of innovation
- 4) its ability to concentrate resources

1) You have testified that Title IX is suited to foster economic development program coordination at the local level by encouraging communities to develop a "strategic" approach to economic development, so that they coordinate programs and resources from various sources, including other federal programs, state, local and private. How does Title IX accomplish this? Are you talking here about EDA's new CEDS ("Comprehensive Economic Development Strategy") approach? EDA's own description of CEDS ("defines and sets priorities and coordinates the use of diverse resources") sounds just like your first justification for Title IX. What is the relationship between Title IX and CEDS?

2) You have testified that you intend to use the new long term economic development authority in tandem with other PWEDA resources (presumably public works and business loans) and that this will be accomplished through your new Title IX guidelines. Since these guidelines rely on factors which favor urban areas, does it not follow that you are shifting not only Title IX but the entire EDA effort towards the problems of the cities?

3) You say that Title IX should be expanded so that "innovative" economic development tools can be tried. You also state that the traditional economic development tools of planning, public works and business loans are inadequate for present-day needs. This suggests that you prefer an expansion of Title IX at the expense of Titles I and II of PWEDA. Is this inference correct? What new tools do you expect to be most promising? Which of the tools Title IX has supported in the past proved disappointing? Why should we expand this program if we are still experimenting? Should we not be funding demonstrations of these new tools instead, on a more modest scale?

4) You state Title IX should be used for "supplementary assistance" in areas where individual public works grants are, by themselves, insufficient to check further deterioration. To what extent have you used Title IX in this way to date? (Provide examples.) How important will this use of Title IX be in the future? Describe the kind of "package" of public works grants and Title IX assistance you expect to create.

14. (Answer) Title IX helps to accomplish a strategic local economic development approach because of its flexibility, which allows it to play the role of "glue" or "filler" between EDA's other program tools. Through the CEDS demonstration, EDA is testing the ability of the Agency to create a degree of this same flexibility in EDA's public works, business development, planning and technical assistance programs through administrative actions that allow a packaging of these programs.

However, even though EDA's non-Title IX programs form the basis of most EDA-funded local economic development efforts, Title IX funds are still needed to accomplish legitimate tasks and finance critical activities that complement and assure the success of the other program tools.

Title IX guidelines do not and will not favor urban areas over rural areas. EDA has testified that it is examining the possibility of applying to Title IX the eligibility criteria of the National Development Bank (NDB) proposal. There is obviously a misconception concerning the NDB criteria, because its 11,800 eligible rural areas clearly demonstrates that this proposal is not biased toward urban areas.

Even so, EDA will make certain that its historical experience in rural areas is fully taken into account in developing final Title IX eligibility criteria.

It is not EDA's intent to expand Title IX at the expense of Titles I and II. Public works and business loan activity is expected to remain the mainstay of most local economic development activity. Title IX simply affords us the possibility of financing certain activities and projects--some of which cannot now be predicted--that would be difficult or impossible to undertake with other programs. One example is, of course, local revolving loan funds.

Moreover, it is administratively much more difficult to set up separate demonstrations each time a slightly different approach to an economic development activity is proposed by EDA's local constituency. The better method is to have a source of fairly flexible resources to fill the gap and encourage innovation. EDA should encourage experimentation in the very midst of its regular program funding, rather than isolating experimentation and demonstration from the mainstream of economic development activity.

The type of "packaging" envisioned by EDA has occurred in Battle Creek, Michigan, where the city needed to facilitate expansion of five businesses in order to avoid their abandoning

the area. Title IX funds were used for land acquisition relocation and demolition purposes to create acceptable new industrial space in tandem with Title I funds that were used to renovate an existing city-owned industrial park. In other previous Title IX projects, such as those carried out in Philadelphia and Gary, Indiana, revolving loan funds were important aspects of the overall package.

EDA expects this type of packaging to be a very important element of its assistance efforts in the future.

- i. In earlier testimony, you defined "deterioration" as "an aggravated form of economic distress manifested by (1) chronic unemployment, (2) low income, (3) an erosion of economic activity, and (4) the physical deterioration of infrastructure."

Yet two of the specific eligibility criteria you plan to use for long-term deterioration assistance rely on (1) total unemployment rates rather than long-term unemployment rates, and (2) change in per capita income rather than low level of per capita income. These two factors, at least, seem to bias the results against rural areas, do they not?

You state that 10,000 rural areas and 1,800 urban areas would be eligible using these criteria. How many people live in those 10,000 rural areas and how many in the 1,800 urban areas?

How will EDA determine which among these thousands of eligible places will receive Title IX grants? How will the relative severity of distress affect the chances of a project's approval?

EDA is in the process of establishing the eligibility criteria for long-term economic deterioration. We are exploring the feasibility of developing criteria for the LTED that would closely conform to the National Development Bank criteria; namely, unemployment rate, change in employment, change in population, and per capita income. These variables would reflect the experience of an area over time; for example, an unemployment rate above the national average for the most recent five-year period.

The NDB criteria are, however, are only one set of threshold factors that we are considering for the LTED program. Our objective is for all of the nation's urban and rural chronically distressed and deteriorating areas--based on our agency's experience--to be eligible for EDA LTED assistance. EDA has not ruled out using a low level of per capita income as one criterion for LTED eligibility.

15. (continued)

The figures of 10,000 rural and 1,800 urban areas refer to the numbers of eligible areas for National Development Bank assistance. These numbers do not indicate how many rural and urban areas would qualify for LTED assistance since a final decision on eligibility criteria has not yet been made.

Rural places account for 73 percent of the NDB eligible areas and urban places the remaining 27 percent. Approximately 77 million people live in the NDB eligible areas; 19 million of these live in rural places and 58 million in urban.

It is our best estimate that of LTED funds, 36 percent would go to rural areas and 64 percent to urban areas. The urban/rural split for PWEDA Titles I, II, and III is slightly more rural. Thus, the combined allocation for Titles I, II, III, and IX result in an approximately even urban/rural split. EDA will consider the adequacy of the long-term economic deterioration strategy, the degree of local commitment to the strategy, and the severity of distress of the community in approving requests for Title IX assistance.

16) In implementing your self-initiated CEDS (Comprehensive Economic Development Strategy) EDA hand-picked 37 mostly urban pilot areas for participation. Several of these areas have received substantial grants from EDA.

(a) Under what authority was this demonstration undertaken and on what basis are funds being distributed?

First, the demonstration areas are approximately half-urban and half rural in character and were selected with a great deal of input from field offices to represent the range of entities and types of distress EDA is legislatively mandated to address.

Second, only two partial commitments have been made -- to Portland, Ore., and Chicago, Ill. -- and they will not be final until all legislative requirements are met. It should be noted that both places had been working on long term strategies long before CEDS was initiated and would have qualified for the funding they received anyway.

Third, EDA is proceeding in all ways on CEDS in accordance with its governing legislation and regulations. The OEDP requirements have always called for the preparation of multiyear, prioritized and time-phased strategies to carry out the objectives but this requirement was seldom enforced in the past. In a sense, CEDS is an attempt to improve the OEDP in accordance with the legislation.

(b) Where are these funds coming from?

They are coming from the existing EDA appropriations. We have made it clear to both the demonstration areas and others that CEDS is not an allocations mechanism.

(c) Does not the designation of an area for a CEDS demonstration predetermine the distribution of funds from EDA's Title IX program, if not others? How else could it demonstrate the "packaging of EDA program tools" or "test the need for EDA to change its traditional response to community assistance requests?"

Almost all of the demonstration areas have received merited funds from EDA in the past and undoubtedly would receive funds in the future under the traditional eligibility requirements. In fact, almost all of them have received funding from the various EDA program tools. The CEDS demonstration is aimed at testing whether EDA's program delivery could be improved and whether areas could prepare improved strategies to assist in that delivery.

17) As you know, this Committee has made a commitment to consider Senator Weicker's proposal to turn the section 204 redevelopment area loan program into a grant program.

Would you please elaborate on the reasons the Administration opposes his approach. Since you seem to be willing to support revolving funds under Title IX are you merely concerned that a \$125 million program is too large, but a \$15 million program is sufficient.

What level of revolving loan funds could reasonably be demanded in FY 1979?

Senator Weicker is concerned that your approach to revolving loan funds will destroy the identity of the section 204 program. What stops you from using Title IX to pose this sort of threat to other programs established by Congress in the Public Works Economic Development Act?

17. (Answer) The Administration's primary reason for favoring the folding of Section 204 into Title IX is the additional flexibility this action will give to areas in need of EDA assistance.

The revolving loan program is just one in a long list of economic development program tools which are needed at the local level to implement effective economic revitalization programs. Because of Title IX's unique comprehensiveness, all of these program tools--including revolving loans--are available through Title IX funding.

By using Title IX as the vehicle for delivering revolving loan fund assistance, the level of funding devoted to this particular aspect of economic development can easily be adapted to local needs, as expressed through the Title IX development strategies submitted by localities to EDA. Since the Agency cannot predict the degree to which localities will desire or be able to set up revolving loan fund programs without further experience in administering this financing tool, it is important to retain the flexibility to spend more or less, depending on the need and demand.

A separate revolving loan fund program with separate funding, as Senator Weiker proposes, would duplicate the authority contained in Title IX and force EDA to spend no more and no less than the funds appropriated for Section 204. The funds appropriated in any particular year might be too large compared to the legitimate demand for revolving loan funds and compared to the need for public works, direct business loans or other assistance. If this were the case, localities would be likely to distort their own priorities simply in order to apply for available Federal funds. On the other hand, a separate appropriation for Section 204 might be too small to cover the real need for revolving loan fund assistance at the local level.

The financing of revolving loan funds through Title IX, at least during an initial year or two, will give EDA and the Congress time to gain experience with this new program tool. One particular concern which must be explored is the degree to which revolving loan funds are widely applicable to rural areas. A local revolving loan program will need an appropriate level of private sector loan demand in order to be effective and operational. It would be unfortunate to set up a separate, heavily funded revolving loan fund program to serve all distressed areas, only to find that rural areas could not make effective use of this new tool.

Finally, the Administration's view is that it is less important to maintain a separate identity for various economic development programs than to create the flexibility for these programs to be packaged and adapted to the widely varying needs of distressed rural and urban areas.



**National
Conference
of State
Legislatures**

Office of
State
Federal
Relations

444
North Capitol
Street, N.W.
2nd Floor
Washington, D.C.
20001
202/624-5400

President
Jason Boe
President of
The Oregon Senate

Executive Director
Earl S. Mackey

July 20, 1978

Honorable Quentin N. Burdick
Chairman
Subcommittee on Regional and Community Development
Room A-427 Annex III
119 D Street, N.E.
Washington, D.C. 20510

Dear Mr. Chairman:

At its recent annual meeting, the National Conference of State Legislatures' Urban Development Committee undertook a lengthy discussion on the Local Public Works Program and the Labor Intensive Public Works legislation. NCSL has long supported the public works legislation passed and feels a continuing need for this type of funding. States were able under Round II of the LPW program to fund considerably more projects having received some 10.3% of the funds available compared with only 6% under Round I.

It is the position of the Conference that renovation and repair of existing infrastructures is one of the most pressing problems facing states and their local governments. Delayed repairs not only cause higher ongoing maintenance costs, but increase the necessity of total replacement and the costs of such activities.

It is for this reason that NCSL strongly urges passage of the Labor Intensive Public Works legislation either in conjunction with a Round III program of local public works or as an independent measure. Despite the problems involved with aid to the structurally unemployed, we feel that this group could derive significant benefit from the program as proposed.

While expressing support for the measure, we would raise the issue of the reduction in the set-aside for state government projects. As you know, states were allocated 8% of funds available under Round II of the local public works program. Under LIPW, this allocation has been reduced to 6%. We strongly feel that these funds can be used effectively at the state level and would urge maintenance of the 8% set-aside level for state governments.

We would appreciate your consideration on this matter. We have attached a copy of the most recently revised policy on this measure for your use. If you need any further information or assistance, please feel free to contact me or the NCSL State-Federal Relations staff in Washington.

Sincerely yours,

Jason Boe
President of NCSL
President, Oregon Senate

Enclosure

July 5, 1978

Resolution Amending Current Public Works Program Reauthorization Policy:

Public Works Program Reauthorization

Title I of the Public Works Employment Act of 1976 authorized \$2 billion in FY 1977 for grants to state and local governments for construction, renovation, repair, or improvements for public works projects. Over 24,000 applications for about \$24 billion were received by the Economic Development Administration. States fared badly under the first round funding receiving approximately 6% of the projects and funds available.

Substantial revisions supported by NCSL were made by Congress in the second round of funding which allocated \$4 billion for local public works projects. States received an 8% set aside of funds allocated to the state for state government projects raising the percent of funding states received to 10.3%. Revisions were also made to restrict the participation of school districts and special districts and revise to restrict the participation of school districts and special districts and revise the method in which unemployment statistics were collected. Round III and any subsequent rounds should continue these revisions.

In addition to Round III of the Local Public Works program, Congress is also considering the Labor Intensive Public Works proposal. This measure addresses persistent structural unemployment, particularly for youth and minorities. The proposal also encourages the rehabilitation and renovation of public facilities suffering from overdue maintenance.

The National Conference of State Legislatures supports this proposal, but would recommend the following revisions:

1. The percentage of funds set aside for state government projects should remain at the 8% level specified in Round II of the LPW program as opposed to the 6% currently allocated in the LIPW proposal.
2. EDA following the receipt of action programs from the designees should publish the type, number and total dollar amounts of project funds requested so that local jurisdictions and states may make more accurate expenditure and revenue projections for the current and future fiscal years.
3. The state action program prior to submission to EDA should be submitted to the appropriate state legislative committees for review and comment.

However, in the event that reauthorization will not be passed for both Round II and the LIPW program, NCSL supports LIPW as the best means to address the unemployment problems of the states and their local jurisdictions.

NCSL particularly supports the emphasis on rehabilitation and maintenance of public facilities. We further encourage Congress and the Executive Branch to continue careful oversight to avoid abuses in this program.



National Governors' Association

William C. Milliken
Governor of Michigan
Chairman

Stephen B. Farber
Director

June 16, 1978

The Honorable Quentin Burdick
Chairman, Subcommittee on Regional
and Community Development
Committee on Environment and Public Works
451 Russell Senate Office Bldg
Washington, DC 20510

Dear Mr. Chairman:

This letter is in response to your request for additional comment on behalf of the National Governors' Association concerning the internalization provisions of Section 1107 of the Hart-Randolph bill. As I indicated in my testimony on May 10, provisions requiring the internalization of socioeconomic costs in the cost of the energy product are an important element of an energy impact assistance program. A number of states have established mineral taxes and energy impact assistance programs which require industry to internalize socioeconomic impact costs in the energy price. Our success in building a strong coalition of Governors representing all regions of the country has been dependent to some degree on an emphasis on internalization. The letter from Governor Dukakis of Massachusetts which I included in the record during my earlier testimony before your Subcommittee makes this point clear.

However, our commitment to internalization is to the concept rather than to any particular legislative mechanisms. The Governors view Section 1107 simply as one alternative to achieve internalization.

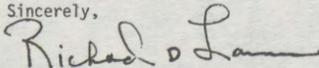
As regards the specifics of Section 1107, we do support the Governors' veto of energy activities in 1107(b) though we have suggested through the NGA staff that it should be limited to federal leasing. 1107(b) appears to be modeled after the provision in the synfuels loan guarantee program (contained in PL 95-238) which gives Governors the authority to recommend against a guarantee for a synfuel plant, subject to a national interest-based override by the Secretary of Energy. We strongly supported inclusion of that provision. However, if the Committee feels that something less stringent than 1107(b) is needed, we would suggest replacing 1107(b) with a provision similar to that contained in the current OCS legislation giving Governors the opportunity to make public recommendations on the timing and location of future inland mineral leasing and requiring the Secretary of the Interior to respond in writing.

June 16, 1978

Regarding 1107(a), we have suggested previously that this provision needed to be narrowed considerably. Once again, the synfuels legislation may provide valuable guidance as it authorizes the Secretary of Energy to require an applicant for assistance for a demonstration facility to advance funds for community development, contingent on an agreement by the state to provide tax credits over the life of the facility for such advances (Sec. 19(k)(1)(c)). In addition, it allows the Secretary to require that community development costs be included in the total cost of the demonstration facility in cases where community development costs cannot be met through other approaches (Sec. 19(k)(4)(B)). A similar approach could be taken to federal mineral leasing in this legislation. A second alternative we would suggest would be to add in Sec. 1102(c)(2) a requirement that a public hearing in the NEPA process focus on socio-economic impacts of the proposed energy development. During this hearing, the joint assessment team could present its findings concerning the need for industry contributions. Where leasing decisions are involved, this hearing could be followed by the Governor's recommendations on leasing. This would give the Governor the additional leverage to encourage industry contributions. Where possible, such a hearing could be combined with existing hearings on other aspects so as not to delay the hearing process.

On behalf of the 15 Governors on the NGA Energy Impact Assistance Subcommittee, I want to thank you for the opportunity to present our views. We sincerely appreciate your Committee's responsiveness to the needs of the states as exemplified in the provisions of the Hart-Randolph bill.

Sincerely,



Governor Richard D. Lamm
Chairman, NGA Subcommittee on
Energy Impact Assistance

○

